OHIO AUDITOR OF STATE
KEITH FABER

CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2019

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CUYAHOGA COUNTY
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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Parma Heights, 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2019, and the respective changes in financial position 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 20 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 *management'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 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

October 19, 2021

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2019
UNAUDITED

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

- Total net position increased by $4,322,074 or 50.07% in 2019. This was comprised of a decrease in net investment in capital assets of $1,817,503, an increase in unrestricted net position of $7,586,089 and a decrease in restricted net position of $1,446,512.

- Capital assets, net of depreciation, decreased by $2,168,526 or 9.98% in 2019. This decrease is the result of depreciation expense and capital asset disposals exceeding the amount of additions to capital assets.

- Current and other assets decreased by $2,473,429 or 20.29% in 2019. The most notable changes in current and other assets were decreases in equity in pooled cash and cash equivalents and taxes receivable.

- Total liabilities had a net decrease of $5,683,400 or 13.47% in 2019. The majority of this decrease was due to a decrease in net OPEB liability of $11,423,747, which was offset by increase in net pension liability of $6,513,142.

Using This Financial Report

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

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

Reporting the City of Parma Heights as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our residents, the view of the City as a whole considers all financial transactions and measures how the City did financially during fiscal year 2019.

The Statement of Net Position and the Statement of Activities include assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

Reporting the City of Parma Heights' Most Significant Funds

Fund Financial Statements

The presentation of the City's major funds begins on page 17. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds, which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Parma Heights, the major governmental funds are the General Fund, Bond Retirement Fund and Capital Projects Fund.

Governmental Funds

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

The City of Parma Heights As A Whole

The Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2019 compared to 2018.

Table 1

	Governmental Activities	
	2019	2018
ASSETS		
Current and Other Assets	$ 9,719,460	$ 12,192,889
Capital Assets, Net	19,561,078	21,729,604
Total Assets	29,280,538	33,922,493
DEFERRED OUTFLOWS OF RESOURCES		
Deferral on Refunding	4,287	6,430
Pension	6,572,486	2,987,918
OPEB	1,427,932	1,552,258
Total Deferred Outflows of Resources	8,004,705	4,546,606
LIABILITIES		
Current and Other Liabilities	1,285,614	3,554,453
Long-term Liabilities:		
Due Within One Year	3,680,694	1,870,623
Due in More than One Year:		
Net Pension Liability	25,234,266	18,721,124
Net OPEB Liability	4,829,335	16,253,082
Other Amounts	1,466,853	1,780,880
Total Liabilities	36,496,762	42,180,162
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	2,950,067	2,582,870
Pension	1,028,076	1,979,253
OPEB	1,120,016	358,566
Total Deferred Inflows of Resources	5,098,159	4,920,689
NET POSITION		
Net Investment in Capital Assets	15,347,852	17,165,355
Restricted	1,708,814	3,155,326
Unrestricted	(21,366,344)	(28,952,433)
Total Net Position	$ (4,309,678)	$ (8,631,752)

The net pension liability (NPL) is the largest single liability reported by the City at year end and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." In prior years the City adopted GASB Statement 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 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 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/OPEB 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 as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to 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 (i.e. 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/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 68 and GASB 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 and net OPEB liability, not accounted for as deferred inflows/outflows.

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

The City's total assets decreased by $4,641,955 from 2018 to 2019. The decrease in assets is mainly the result of a decrease to equity in pooled cash and cash equivalents, taxes receivables, and capital assets.

The City's total liabilities decreased by $5,683,400 which was the result mainly of decreases in notes payable and net OPEB liability, which was offset by an increase to net pension liability.

In order to further understand what makes up the changes in net position for the current year, the following Table 2 gives readers further details regarding the results of activities for 2019 and 2018.

Table 2

	Governmental Activities	
	2019	2018 *
REVENUES		
Program Revenues:		
Charges for Services	$ 3,515,180	$ 3,602,799
Operating Grants and Contributions	1,422,453	1,158,934
Capital Grants and Contributions	95,897	150,497
Total Program Revenues	5,033,530	4,912,230
General Revenues:		
Property Taxes	2,653,359	2,926,690
Municipal Income Taxes	7,827,124	7,665,469
Grants and Entitlements	1,076,078	906,151
Investment Income	68,050	47,473
Gain on Sale of Capital Assets	68,440	-
All Other Revenues	180,012	487,864
Total General Revenues	11,873,063	12,033,647
Special Item:		
Sale of Cell Tower	-	1,733,804
Total Revenues	16,906,593	18,679,681
EXPENSES		
Program Expenses:		
Security of Persons and Property	1,167,604	12,042,440
Public Health Services	426,153	307,722
Leisure Time Activities	895,168	758,664
Community Environment	564,473	808,549
Basic Utility Services	1,189,901	1,119,227
Transportation	6,048,314	4,731,897
General Government	2,166,347	2,291,853
Interest and Fiscal Charges	126,559	137,264
Total Expenses	12,584,519	22,197,616
Change in Net Position	4,322,074	(3,517,935)
Net Position - Beginning of Year	(8,631,752)	(5,113,817)
Net Position - End of Year	$ (4,309,678)	$ (8,631,752)

* Certain reclassifications have been done

Governmental Activities

Several revenue sources fund our governmental activities, with property tax and municipal income tax being the largest general revenue contributors. Property taxes and municipal income taxes were 61.99% and grants and entitlements, unrestricted in general revenue, totaling $1,076,078 accounts for 6.36% of total governmental activity revenue. These unrestricted grants and entitlements are comprised of distributions from the State and County. The special item in 2018 was comprised of proceeds from the sale of a City owned cell tower for $1,733,804. Program revenues comprising 29.8% of total revenues and had a total increase of $121,300 in 2019.

The provisions of GASB Statements 68 and 75 required the City to recognize a pension/OPEB adjustment that reduced expenses by a total of $8,560,574 in 2019 compared to an increase of expenses by $2,101,631 in 2018. As a result, it is difficult to ascertain the true operational cost of services and the changes in the cost of services from year to year. The table below shows the total cost of services by function with the GASB Statements 68 and 75 pension and OPEB costs removed.

Table 3

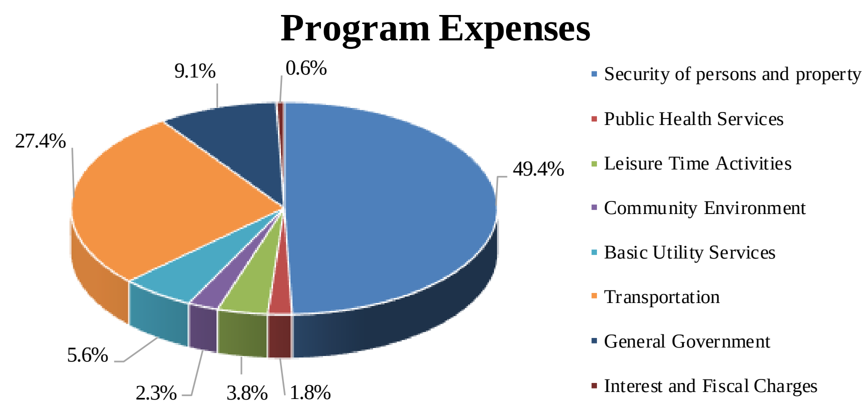
	Governmental Activities	
	2019	2018
EXPENSES		
Program Expenses:		
Security of Persons and Property	$ 10,447,669	$ 10,462,727
Public Health Services	385,326	282,363
Leisure Time Activities	807,112	715,692
Community Environment	491,773	745,341
Basic Utility Services	1,176,208	1,097,428
Transportation	5,788,609	4,554,885
General Government	1,921,837	2,100,285
Interest and Fiscal Charges	126,559	137,264
Total Expenses	$ 21,145,093	$ 20,095,985

Using the adjusted amounts from the table above, the City's total governmental activities experienced a 5.22 percent increase in 2019 program expenses when compared to 2018 expenses. Security of persons and property, including our police and fire departments, accounted for $10,447,669, which is 49.4% of total governmental activity expenses. Transportation expense, includes streets and road maintenance, accounted for $5,788,609 or 27.4%. General government expenses, including the executive, legislative and administrative functions of our City government activities accounted for $1,921,837 or 9.1%. The remaining 14.1% of the governmental activity expense was divided between the remaining five areas of functional expense: public health and welfare, leisure time activities, community environment, basic utility services and interest.

Table 4 presents a summary for governmental activities wherein the total cost of governmental activity is shown as compared to the net cost of providing these services, using the adjusted table above. The net cost of services is derived by reducing the activity expense by the amount of program revenues attributable to each area of activity.

Table 4

Program Expenses	Total Cost of Services 2020	Net Cost of Services 2020
Security of persons and property	$ 10,447,669	$ (9,339,742)
Public Health Services	385,326	(235,548)
Leisure Time Activities	807,112	(475,983)
Community Environment	491,773	(163,316)
Basic Utility Services	1,176,208	(996,688)
Transportation	5,788,609	(3,640,462)
General Government	1,921,837	(1,133,265)
Interest and Fiscal Charges	126,559	(126,559)
Total Cost of Services	$ 21,145,093	$ (16,111,563)



Charges for services, operating grants and contributions, and capital grants and contributions all reduce the governmental activity expenses. For 2019, there was a difference of $5,033,530 between the Total Cost of Services and the Net Cost of Services. The most significant contributing factors are as follows:

- Security of persons and property expenses were reduced by $1,107,927 primarily through charges for services and sales consisting of Mayor's Court fines and costs, Parma Municipal Court fines and costs reflecting Parma Heights' cases heard at the municipal court, fines generated through traffic camera enforcement, revenue from assets confiscated as part of law enforcement investigations and various operating grants and fees charged for ambulance services.
- Leisure time activities expenses were reduced by $331,129 primarily through charges for services and sales and donations for participation in parks, recreation, and senior programs.
- Community environment expenses were reduced by $328,457 through program revenue which consists of building department permit fees, commercial license fees, and grants for public environmental improvement projects.
- Public health and welfare expenses were reduced by $149,778 of program revenues derived from miscellaneous grants utilized primarily for senior citizen programming, equipment acquisition and services.

- Basic utility services were reduced by $179,520 for charges from services related to maintenance.
- Transportation services were reduced by $2,148,147 in charges for services for gasoline usage taxes, motor vehicle licensing fees, and various state and county grants for road re-construction, sanitary and storm sewer replacement.
- General government expenses were reduced by $788,572 in charges for services for cable franchise fee and communication tower site lease payments, miscellaneous user fees, and receipt of a recycling grant.

Financial Analysis of the Government's Funds

Information about the City's governmental funds begins on page 17. These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had revenues of $17,838,462 not including other financing sources and expenditures of $20,552,313 not including other financing uses. The General fund balance decreased slightly by $62,181 in 2019. The General Bond Retirement fund balance decreased by $2,232,473 due to the payoff of a notes payable. The General Capital Improvement fund balance increased by $2,713,950 due to issuance of bond anticipation notes.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The City amended its General Fund budget throughout fiscal year 2019 to reflect changes in circumstances against budgeted estimates. All recommendations for budget amendments are initially presented to the Finance Committee of Council for review before being presented to the full City Council. The whole Council then enacts the budgetary changes by adopting an Amended Appropriations Ordinance. The General Fund supports many of the City's major activities or services, such as police and fire departments, public service department, as well as the legislative and executive activities. The General Fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

The original budgeted revenues, including other financing sources for the General Fund were $15,236,282 and the final budgeted revenue amount, including other financing sources, was $15,398,698. The increase in budgeted revenues of $162,416 was derived primarily from increase in miscellaneous revenues.

The City collected approximately 98.6% of its final budgeted revenues in 2019.

The original appropriations or expenditure estimates, for the General Fund was $15,118,540 and the final appropriation total was $15,211,994 for an increase of $93,454.

Capital Assets and Debt Administration

Capital Assets

Table 5
Capital Assets
(Net of Depreciation)

	Governmental Activities 2019	Governmental Activities 2018
Land	$ 1,421,777	$ 1,421,777
Construction in progress	59,405	16,315
Buildings and Improvements	2,807,910	2,994,284
Machinery, Equipment and Vehicles	1,751,834	1,822,955
Infrastructure	13,520,152	15,474,273
Total	$ 19,561,078	$ 21,729,604

The City's total capital assets for governmental activities decreased in 2019 by $2,168,526. The majority of this decrease was from depreciation expense exceeding the amount of capital assets added during 2019. See Note 8 for additional detailed information on capital assets.

Debt

As of December 31, 2019, the City of Parma Heights had $3,972,513 in long-term debt obligations excluding net pension liability and compensated absences, comprised as shown in Table 6. Payments due within one-year total $3,551,008 excluding compensated absences.

Table 6
Long-Term Debt

	Governmental Activities 2019	Governmental Activities 2018
Loans Payable	$ 73,819	$ 119,426
Bond Anticipation Notes	3,201,330	1,000,000
General Obligation Bonds Payable	440,000	979,000
Special Assessement Bonds Payable	-	25,794
Capital Lease Obligations	257,364	400,028
Total Outstanding Debt	$ 3,972,513	$ 2,524,248

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

Special assessment bonds consist of funding for various street improvement projects and retaining wall improvements. Principal and interest for these bonds are paid from special assessments collected from the affected property owners by the County Fiscal Officer, as part of the semi-annual property tax payments. These bonds were paid in full as of December 31, 2019.

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

Capital lease obligations consist of the lease-purchase of police cruisers, a street sweeper/vac-all, a bus used to transport senior citizens, an ambulance and police equipment. The police vehicles and equipment leased in 2016 and was repaid in 2019. The ambulance leased in 2016 will be repaid in 2021. The street vacuum sweeper leased in 2018 will be repaid in 2022.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10.5% of its total assessed valuation. Note 9, Note 10 and Note 11 of the financial statements present additional information about the City's debt.

Current Financial Outlook

The City of Parma Heights is an inner ring bedroom community in the Greater Cleveland area. Understanding that the city is nearly 100% built-out; re-development of the existing property tax base and economic base is vital to maintain the economic health of the City in the face of ongoing state funding cutbacks, very modest income tax revenue increases, and property values, which are only now beginning to re-bound from the mortgage collapse that occurred nearly ten years ago. Administratively, the goal continues to be managing what can be controlled locally, both through conservative budgeting and ongoing attempts to expand revenue sources and grantsmanship efforts.

Beginning in March 2020 the Covid-19 pandemic became the main focus for not only Parma Heights, but the entire nation. A State of Emergency was declared in Ohio by the Governor, and the City followed suit. Without knowing the full impact of Covid-19 the administration took immediate action by placing many Recreation Department activities on hold, furloughing several employees, and reducing hours and salary for many employees and directors. The federal filing date being pushed back is anticipated to be a major impact to the City's cash flow; because of this limitations on spending and overtime have been enforced until the status is known on State or Federal assistance. The City expects that the full impact of the pandemic will not realized until well into 2021.

While Parma Heights is a community that experienced explosive growth and development in the 1960's and 1970's, it is experiencing a change-over in population due to the transfer of properties from older original homeowners to new young families. The median age of our resident is now 39.8 years of age. Estimated median household income has increased from $45,855 in 2016 to $49,326 in 2018. This increase reflects the presence of young wage-earning residents replacing retirees. Median home values have returned to a year 2000 level of $114,700, subsequent to declines to the high $80,000 range subsequent to the mortgage collapse. (Note: A county-wide reappraisal of property valuations during 2018 resulted in the City's overall tax valuation increasing by 9%).

Emphasis continues to be placed on economic development efforts to encourage and facilitate market decisions, which while beyond our immediate control, are certainly within our scope of local influence. A recent success story involves the decision of a local investment group to purchase a small retail strip center and an office building in our commercial district. Occupancy in these renovated units is focused on medical services, medical research, and technical sales. A portion of the available space is being developed as in incubator for medical business start-ups. The relationship developed with this local investor; particularly efforts made to assist in securing various development loans, is typical of the ongoing efforts made by the City to encourage commercial re-development. The creation of the Parma Heights Community Improvement Corporation is another tool to promote economic development within the community.

The city continues to facilitate the development of the last substantial vacant parcel in town (approximately 30 acres); that had been constrained from development by ongoing legal issues, related to a prior development effort. During 2018 these legal issues were resolved, and all development impediments were removed. The City is continuing to work with the property owner to market this tract of land, in anticipation of a viable development that will enhance the City's tax base, provide new jobs, and will help to reinvigorate the main commercial corridor in town. Negotiations are on-going with hopes to see progress in 2020-2021.

During 2018 plans were finalized for the city's participation in a multi-city road resurfacing projects that will result in restoring three major roadways to "like new" condition. These projects began construction in 2019 and into 2020; they will significantly upgrade the viability and access to the commercial areas of our town. In addition, the overall aesthetics of our city will be enhanced with the implementation of a major rebranding/wayfinding study of the past two years; which will be coordinated with the road resurfacing projects to incorporate the installation new street signage, decorative cross walks, bicycle racks, and landscaped medians.

Critical to the goal of re-developing our property tax base are the city's efforts to encourage the revitalization of not only our commercial tax base, but our residential properties, as well. The adoption of legislation several years ago to designate the entire city as a Community Reinvestment Area for tax abatement purposes provides an attractive incentive for property owners to make improvements to their properties. There is also a focus on potential rezoning in commercial districts.

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

Contacting the City's Finance Department

This financial report is designed to provide our residents, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all monies it receives, spends or invest. If you have any questions about the report or need additional financial information contact the Finance Director, City of Parma Heights, 6281 Pearl Road, Parma Heights, Ohio 44130, (telephone (440) 884-9600 x5621).

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	$ 1,676,756
Materials and Supplies Inventory	67,404
Accounts Receivable	197,438
Intergovernmental Receivable	1,008,137
Prepaid Items	57,737
Municipal Income Taxes Receivable	3,652,163
Property Taxes Receivable	3,053,875
Special Assessments Receivable	5,950
Nondepreciable Capital Assets	1,481,182
Depreciable Capital Assets	18,079,896
Total Assets	29,280,538
DEFERRED OUTFLOWS OF RESOURCES	
Deferral on Refunding	4,287
Pension	6,572,486
OPEB	1,427,932
Total Deferred Outflows of Resources	8,004,705
LIABILITIES	
Accounts and Contracts Payable	375,536
Accrued Wages and Benefits	350,999
Intergovernmental Payable	183,571
Accrued Interest Payable	52,922
Claims Payable	77,586
Notes Payable	245,000
Long-term Liabilities:	
Due Within One Year	3,680,694
Due in More than One Year:	
Net Pension Liability	25,234,266
Net OPEB Liability	4,829,335
Other Amounts Due in More than One Year	1,466,853
Total Liabilities	36,496,762
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	2,950,067
Pension	1,028,076
OPEB	1,120,016
Total Deferred Inflows of Resources	5,098,159
NET POSITION	
Net Investment in Capital Assets	15,347,852
Restricted for:	
Debt Service	396,637
Capital Projects	634,656
Highways and Streets	638,392
Public Safety	26,805
Recreation	11,170
Other Purposes	1,154
Unrestricted (Deficit)	(21,366,344)
Total Net Position	$ (4,309,678)

The notes to the financial statements are an integral part of this statement.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Primary Government:					
Governmental activities:					
Security of Persons and Property	$ 1,167,604	$ 1,072,971	$ 34,956	$ -	$ (59,677)
Public Health Services	426,153	-	149,778	-	(276,375)
Leisure Time Activities	895,168	264,551	5,441	61,137	(564,039)
Community Environment	564,473	328,457	-	-	(236,016)
Basic Utility Services	1,189,901	179,520	-	-	(1,010,381)
Transportation	6,048,314	916,362	1,231,785	-	(3,900,167)
General Government	2,166,347	753,319	493	34,760	(1,377,775)
Interest and Fiscal Charges	126,559	-	-	-	(126,559)
Total Governmental activities	$ 12,584,519	$ 3,515,180	$ 1,422,453	$ 95,897	(7,550,989)
General Revenues:					
Property Taxes levied for:					
General Purposes					1,607,940
Other Purposes					291,824
Debt Service					617,465
Capital Improvements					136,130
Municipal Income Taxes levied for:					
General Purposes					7,827,124
Grants and Entitlements not Restricted to Specific Programs					1,076,078
Investment Income					68,050
Gain on Sale of Capital Assets					68,440
All Other Revenues					180,012
Total General Revenues					11,873,063
Change in Net Position					4,322,074
Net Position - Beginning of Year					(8,631,752)
Net Position - End of Year					$ (4,309,678)

The notes to the financial statements are an integral part of this statement.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

BALANCE SHEET- GOVERNMENTAL FUNDS

DECEMBER 31, 2019

	General Fund	General Bond Retirement	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Cash Equivalents	$ 409,462	$ 410,069	$ 676,799	$ 180,426	$ 1,676,756
Materials and Supplies Inventory	6,849	-	-	60,555	67,404
Accounts Receivable	193,860	-	-	3,578	197,438
Interfund Receivable	55,612	-	-	-	55,612
Intergovernmental Receivable	419,081	32,193	-	556,863	1,008,137
Prepaid Items	57,737	-	-	-	57,737
Municipal Income Taxes Receivable	3,652,163	-	-	-	3,652,163
Property Taxes Receivable	2,106,879	458,220	-	488,776	3,053,875
Special Assessments Receivable	-	5,950	-	-	5,950
Total Assets	$ 6,901,643	$ 906,432	$ 676,799	$ 1,290,198	$ 9,775,072
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	$ 277,359	$ 46,850	$ 50,775	$ 552	$ 375,536
Accrued Wages and Benefits	345,069	-	-	5,930	350,999
Intergovernmental Payable	73,175	-	-	110,396	183,571
Accrued Interest Payable	-	6,125	-	-	6,125
Interfund Payable	-	-	-	55,612	55,612
Claims Payable	77,586	-	-	-	77,586
Notes Payable	-	245,000	-	-	245,000
Total Liabilities	773,189	297,975	50,775	172,490	1,294,429
Deferred Inflows of Resources:					
Property Taxes	2,035,261	442,644	-	472,162	2,950,067
Unavailable Revenue - Delinquent Property Taxes	71,618	15,576	-	16,614	103,808
Unavailable Revenue - Income Taxes	3,280,484	-	-	-	3,280,484
Unavailable Revenue - Other	482,753	38,143	-	452,597	973,493
Total Deferred Inflows of Resources	5,870,116	496,363	-	941,373	7,307,852
Fund Balances:					
Nonspendable	120,198	-	-	60,555	180,753
Restricted	1,154	112,094	626,024	216,528	955,800
Assigned	286,495	-	-	-	286,495
Unassigned (Deficit)	(149,509)	-	-	(100,748)	(250,257)
Total Fund Balances	258,338	112,094	626,024	176,335	1,172,791
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,901,643	$ 906,432	$ 676,799	$ 1,290,198	$ 9,775,072

The notes to the financial statements are an integral part of this statement.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

DECEMBER 31, 2019

Total Governmental Fund Balances		$ 1,172,791
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		19,561,078
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:		
Delinquent property taxes	103,808	
Municipal income taxes	3,280,484	
Special assessments	5,950	
Intergovernmental	850,339	
Charges for services	108,904	
Miscellaneous	8,300	
Total		4,357,785
Deferred outflows of resources represent deferred charges on refundings, which are not reported on in the funds		4,287
In the Statement of Activities, interest is accrued on outstanding bonds and loans, whereas in Governmental funds, an interest expenditure is reported when due.		(46,797)
The net pension liability and net OPEB liability are not due and payable in the current period; therefore the liability, and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	6,572,486	
Deferred Inflows - Pension	(1,028,076)	
Net Pension Liability	(25,234,266)	
Deferred Outflows - OPEB	1,427,932	
Deferred Inflows - OPEB	(1,120,016)	
Net OPEB Liability	(4,829,335)	
Total		(24,211,275)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Loans Payable	(73,819)	
Note Payable	(3,195,000)	
General Obligation Bonds	(440,000)	
Note Premium	(6,330)	
Capital leases	(257,364)	
Compensated absences	(1,175,034)	
Total		(5,147,547)
Net Position of Governmental Activities		$ (4,309,678)

The notes to the financial statements are an integral part of this statement.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	General Bond Retirement	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	$ 1,631,328	$ 635,601	$ -	$ 435,858	$ 2,702,787
Municipal Income Taxes	8,626,611	-	-	-	8,626,611
Intergovernmental	1,142,866	95,999	34,760	1,333,836	2,607,461
Interest	34,370	31,725	1,955	-	68,050
Fines, Licenses, and Permits	1,077,620	-	-	18,727	1,096,347
Charges for Services	2,065,369	-	-	264,698	2,330,067
Contributions and Donations	-	-	-	61,137	61,137
Special Assessments	-	20,550	-	-	20,550
All Other Revenues	325,452	-	-	-	325,452
Total Revenues	14,903,616	783,875	36,715	2,114,256	17,838,462
EXPENDITURES					
Current:					
Security of Persons and Property	9,627,986	-	-	283,480	9,911,466
Public Health Services	375,956	-	-	-	375,956
Leisure Time Activities	220,338	-	-	447,648	667,986
Community Environment	488,697	-	-	-	488,697
Basic Utility Services	246,267	-	-	-	246,267
Transportation	2,348,915	-	-	1,015,221	3,364,136
General Government	1,658,199	14,763	-	2,776	1,675,738
Capital Outlay	-	-	1,403,748	557,940	1,961,688
Debt Service:					
Principal Retirement	-	1,610,401	-	142,664	1,753,065
Interest and Fiscal Charges	-	57,377	34,311	9,467	101,155
Debt Issuance Costs	-	6,159	-	-	6,159
Total Expenditures	14,966,358	1,688,700	1,438,059	2,459,196	20,552,313
Excess of Revenues Over (Under) Expenditures	(62,742)	(904,825)	(1,401,344)	(344,940)	(2,713,851)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	561	-	-	75,134	75,695
Bond Anticipation Notes	-	755,000	2,015,000	425,000	3,195,000
Premium on Debt Issuance	-	17,646	-	-	17,646
Transfers In	-	-	2,100,294	-	2,100,294
Transfers Out	-	(2,100,294)	-	-	(2,100,294)
Total Other Financing Sources (Uses)	561	(1,327,648)	4,115,294	500,134	3,288,341
Net Change in Fund Balances	(62,181)	(2,232,473)	2,713,950	155,194	574,490
Fund Balances (Deficit) - Beginning of Year	320,519	2,344,567	(2,087,926)	21,141	598,301
Fund Balances - End of Year	$ 258,338	$ 112,094	$ 626,024	$ 176,335	$ 1,172,791

The notes to the financial statements are an integral part of this statement.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

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		$ 574,490
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Outlay	$ 365,615	
Depreciation	(2,526,886)	
Total		(2,161,271)
In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets.		(7,255)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	(49,428)	
Municipal income taxes	(799,487)	
Special assessments	(1,500)	
Intergovernmental	(58,854)	
Charges for services	108,904	
Miscellaneous	(199,941)	
Total		(1,000,306)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows		
Pension		1,510,466
OPEB		27,376
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension expense in the statement of activities.		
Pension		(3,487,863)
OPEB		10,510,595
Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to issue of a refunding bond and the related premium.		(3,212,646)
Repayment of principal on bonds, loans, notes and capital leases are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		1,753,065
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental funds.		
Compensated absences	(165,332)	
Accrued interest on bonds	(28,418)	
Amortization of bond premiums	11,316	
Amortization of loss on refunding	(2,143)	
Total		(184,577)
Change in Net Position of Governmental Activities		$ 4,322,074

The notes to the financial statements are an integral part of this statement.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property Taxes	$ 1,836,668	$ 1,776,915	$ 1,819,328	$ 42,413
Municipal Income Taxes	8,525,000	8,525,000	8,880,685	355,685
Intergovernmental	1,021,304	1,021,304	1,088,841	67,537
Interest	167	164	34,143	33,979
Fines, Licenses and Permits	1,354,936	1,354,936	1,077,470	(277,466)
Charges for Services	1,995,410	1,995,410	1,854,385	(141,025)
All Other Revenues	337,185	559,357	324,903	(234,454)
Total Revenues	15,070,670	15,233,086	15,079,755	(153,331)
Expenditures:				
Current:				
Security of Persons and Property	9,725,528	9,611,503	9,624,057	(12,554)
Public Health Services	380,100	387,603	389,084	(1,481)
Leisure Time Activities	122,721	228,496	226,080	2,416
Community Environment	570,110	567,610	516,884	50,726
Basic Utility Services	171,885	216,850	134,555	82,295
Transportation	2,415,942	2,270,050	2,487,940	(217,890)
General Government	1,732,254	1,929,882	1,748,647	181,235
Total Expenditures	15,118,540	15,211,994	15,127,247	84,747
Excess of Revenues Over (Under) Expenditures	(47,870)	21,092	(47,492)	(68,584)
Other Financing Sources:				
Advances In	165,612	165,612	110,000	(55,612)
Total Other Financing Sources	165,612	165,612	110,000	(55,612)
Net Change in Fund Balance	117,742	186,704	62,508	(124,196)
Fund Balance - Beginning of Year	141,474	141,474	141,474	-
Prior Year Encumbrances Appropriated	36,518	36,518	36,518	-
Fund Balance - End of Year	$ 295,734	$ 364,696	$ 240,500	$ (124,196)

The notes to the financial statements are an integral part of this statement.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

DECEMBER 31, 2019

	Agency Funds
Assets	
Equity in Pooled Cash and Cash Equivalents	$ 522,874
Liabilities	
Due to Others	$ 522,874

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. The Community Improvement Corporation is a component unit of the City, however, it has had no activity since its inception and therefore, is not reported in these financial statements.

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

Southwest Council of Governments – The Southwest Council of Governments was established to foster cooperation between municipalities in all areas of municipal service. This includes but is not limited to the effective exchange of information, pooling of manpower and resources for the efficient solutions of specific problems dealing with reciprocal service, mutual aid, and parallel action, and the exchange of ideas relating to area-wide interest. This is a jointly governed organization. The City's participation is disclosed in Note 15.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Parma Community General Hospital Association – The Parma Community General Hospital Association is a not-for-profit adult care hospital controlled by a Board of Trustees which is composed of mayoral appointees from the cities of Parma, North Royalton, Brooklyn, Parma Heights, Seven Hills and Brooklyn Heights. This is a jointly governed organization. The City's participation is disclosed in Note 15.

Northeast Ohio Public Energy Council – The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. This is a jointly governed organization. The City's participation is disclosed in Note 15.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

B. BASIS OF PRESENTATION

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

Fund Financial Statements

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

C. FUND ACCOUNTING

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

Governmental Funds

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FUND ACCOUNTING (CONTINUED)

Proprietary Funds

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

Fiduciary Funds

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

D. MEASUREMENT FOCUS

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

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources along with current liabilities and deferred inflows 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.

E. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. BASIS OF ACCOUNTING (CONTINUED)

Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within 31 days of year-end.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charges on an refunding of general obligation bonds, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Note 13 and 14.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. BASIS OF ACCOUNTING (CONTINUED)

In addition to liabilities, the financial statements reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and 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, special assessments, intergovernmental grants, municipal income taxes, charges for services and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of governmental activities found on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Note 13 and 14).

Expenses/Expenditures

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

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

F. BUDGETARY PROCESS

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. BUDGETARY PROCESS (CONTINUED)

The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect when final appropriations were passed by Council.

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

G. CASH AND CASH EQUIVALENTS

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

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost. The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does adopted Government Accounting Standards Board (GASB) Statement No. 79, “Certain External Investment Pools and Pool Participants.” The City measures their investment in Star Ohio at the net asset value (NAV) per share provided by Star Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the year ended 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 $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Actual Interest Credit	Amount Assigned from Other City Funds
General Fund	$ 34,370	$ 22,995

H. INVENTORIES AND SUPPLIES

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

I. PREPAID ITEMS

Payments 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 and reflecting the expense in the year in which it was consumed.

J. CAPITAL ASSETS

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

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

All capital assets except land and construction in process are depreciated. Improvements are depreciated over the remaining estimated useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. CAPITAL ASSETS (CONTINUED)

Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Land Improvements	15-40 years
Buildings and Improvements	5-40 years
Machinery and Equipment	5-20 years
Infrastructure	10-40 years

K. INTERFUND BALANCES

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

L. COMPENSATED ABSENCES

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

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

M. PENSIONS/OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net pension/OPEB liability, 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 to/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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of the funds. However, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

O. FUND BALANCE

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. FUND BALANCE (CONTINUED)

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

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

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

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

P. NET POSITION

Net position represents assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Restricted net positions are reported when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include the activities for the operation of the cemetery.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. INTERFUND ACTIVITY

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

R. 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. During 2019, the City had no extraordinary or special items.

S. 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 2 – BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

2. Expenditures/expenses are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).

3. Advances in and advances out are operating transaction (budgetary) as opposed to balance sheet transactions (GAAP).

4. Encumbrances are treated as expenditures (budgetary) rather than as a reservation of fund balance (GAAP).

5. Some funds are included in the General Fund (GAAP); but have a separate legally adopted budget (budgetary).

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance

	General Fund
GAAP basis, as reported	$ (62,181)
Adjustments, increase (decrease)	
Revenue accruals	473,175
Expenditures accruals	(252,236)
Advances In	110,000
Encumbrances	(81,278)
Fund budgeted separately	(124,972)
Budgetary basis	$ 62,508

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

During the year, the City implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61).* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statements information for certain component units. The implementation of this Statement did not have an effect on the financial statements of the City.

GASB Statement No. 95, *Postponement of the Effect Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The City has postponed the implementation of GASB Statement No. 83, 84 and GASB Statement No. 88.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

At December 31, 2019, the Community Development Block Grant, Police Pension, and Fire Pension had deficit fund balances of $3,536, $43,501, and $53,711, respectively. These deficit fund balances are the result of adjustments for accrued liabilities in the funds. The General Fund is liable for any deficit in these funds and provides transfers when cash is needed, not when accruals occur.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE (CONTINUED)

Contrary to Section 5705.41 (B) of the Ohio Revised Code, the City had expenditures plus encumbrances in excess of appropriations in the General Fund, Security of Persons and Property line item, Public Health line item and Transportation line item in the amounts of $12,554, $1,481 and $217,890, respectively.

In future years, management will ensure that appropriations will be closely monitored to prevent future violations.

NOTE 5 – FUND BALANCE

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

Fund Balances	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid Items	$ 57,737	$ -	$ -	$ -	$ 57,737
Inventories	6,849	-	-	60,555	67,404
Interfund Balances	55,612		-	-	55,612
Total Nonspendable	120,198	-	-	60,555	180,753
Restricted for					
Capital Improvements	-	-	626,024	25,330	651,354
Road Improvements	-	-	-	49,606	49,606
Public Safety	-	-	-	125,191	125,191
Highway and Streets	-	-	-	11,476	11,476
Recreation	-	-	-	1,128	1,128
Debt Service Payments	-	112,094	-	-	112,094
Other Purposes	1,154	-	-	3,797	4,951
Total Restricted	1,154	112,094	626,024	216,528	955,800
Assigned to					
Subsequent year Appropriations	275,127	-	-	-	275,127
Purchases on Order	8,165				8,165
Other Purposes	3,203	-	-	-	3,203
Total Assigned	286,495	-	-	-	286,495
Unassigned (Deficit)	(149,509)	-	-	(100,748)	(250,257)
Total Fund Balances	$ 258,338	$ 112,094	$ 626,024	$ 176,335	$ 1,172,791

NOTE 6 – DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4) Bonds and other obligations of the State of Ohio;
5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6) The State Treasurer's investment pool (STAR Ohio); and
7) Certain bankers' acceptance and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. LEGAL REQUIREMENTS (CONTINUED)

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by a financial institutions participation in the Ohio Pooled Collateral System (OPCS) or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

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

B. DEPOSITS

At December 31, 2019, the carrying amount of the City's deposits was $1,103,874. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2019, $655,696 of the City's bank balance of $1,523,392 was covered by Federal Depository Insurance and $271,919 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name, and $595,777 was uninsured and uncollateralized. The City's financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the City's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or

NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. DEPOSITS (CONTINUED0

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 institutions. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. All of the City's financial institutions had enrolled in OPCS as of December 31, 2019.

C. INVESTMENTS

As of December 31, 2019, the City had the following investments.

	Measurement Value
Investment in STAR Ohio	$ 1,095,271

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. As discussed in the Note 1 G, STAR Ohio is reported at its share price which is valued at amortized cost.

D. INTEREST RATE RISK

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

E. CREDIT RISK

The City follows the Ohio Revised Code that limits its investment choices. As of December 31, 2019, the City's investments in STAR Ohio were rated AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

F. CONCENTRATION OF CREDIT RISK

The City places no limit on the amount that may be invested in any one issuer. The City's allocation as of December 31, 2019 was 100 percent invested in STAR Ohio.

NOTE 7 – RECEIVABLES

Receivables at December 31, 2019, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, charges for services, and miscellaneous accounts receivable.

The City estimates that no allowance for doubtful accounts was required at December 31, 2019.

A. PROPERTY TAXES

Property taxes include amounts levied against all real public utility, and tangible personal property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of the 2018 taxes.

The 2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019, was $10.00 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2019 property tax receipts were based are as follows:

Real property - 2018	
Residential/agricultural	$ 256,013,140
Other real estate	74,803,210
Tangible personal property-2018	
Public utilities	7,193,520
Total valuation	$ 338,009,870

Property tax receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2019 and for which there is an enforceable legal claim.

NOTE 7 – RECEIVABLES (CONTINUED)

B. INCOME TAXES

The City levies a municipal income tax of 3.00 percent on substantially all income earned within the City. The City converted to the Central Collection Agency (CCA) for municipal income tax collections in 2018 versus the internal collection system used in the prior years. Residents of the City who work and pay taxes in another community receive a 100 percent credit of their Parma Heights City income tax. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Central Collection Agency at least quarterly. Corporations and other individual taxpayers are also required to pay estimated tax quarterly and file a return annually. Taxes collected by CCA in one month are remitted to the City on the tenth of the following month. Municipal income tax revenue is credited entirely to the General Fund. Additional increases in the income tax rate require voter approval.

C. DUE FROM OTHER GOVERNMENTS

A summary of due from other governments follows:

Homestead and rollback	$ 214,619
Gasoline tax	455,958
Grants	5,441
Local government	265,554
Motor vehicle	55,098
Permissive	11,467
	$ 1,008,137

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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance 12/31/2018	Additions		Deletions	Balance 12/31/2019
Governmental Activities					
Capital Assets Not Being Depreciated					
Land	$ 1,421,777	$ -		$ -	$ 1,421,777
Construction in Progress	16,315	56,405		(13,315)	59,405
Total Capital Assets Not Being Depreciated	1,438,092	56,405		(13,315)	1,481,182
Capital Assets Being Depreciated					
Buildings and Improvements	11,630,891	-		-	11,630,891
Machinery, equipment and vehicles	7,764,496	322,525		(171,376)	7,915,645
Infrastructure	81,444,726	-		-	81,444,726
Total Capital Assets Being Depreciated	100,840,113	322,525		(171,376)	100,991,262
Total Capital Assets at Cost	102,278,205	378,930		(184,691)	102,472,444
Less Accumulated Depreciation:					
Buildings and Improvements	(8,636,607)	(186,374)		-	(8,822,981)
Machinery, equipment and vehicles	(5,941,541)	(386,391)		164,121	(6,163,811)
Infrastructure	(65,970,453)	(1,954,121)		-	(67,924,574)
Total Accumulated Depreciation	(80,548,601)	(2,526,886)	*	164,121	(82,911,366)
Total Capital Assets Being Depreciated, Net	20,291,512	(2,204,361)		(7,255)	18,079,896
Total Governmental Activities Capital Asset, Net	$ 21,729,604	$ (2,147,956)		$ (20,570)	$ 19,561,078

*Depreciation expense was charged to governmental functions as follows:

General Government	$ 63,678
Security of Persons and Property	308,095
Transportation	1,113,005
Basic Utility Services	918,063
Public Health and Welfare	9,370
Leisure Time Activities	114,675
Total Depreciation Expense	$ 2,526,886

NOTE 9 – NOTE PAYABLES

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

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019
Bond Anticipation Notes				
Street Improvement Notes, Series 2018-1 maturity 5-1-19, 2.375%	$ 145,000	$ -	$ 145,000	$ -
Street Improvement Notes, Series 2018-2 maturity 7-17-19, 3.00%	1,895,000	-	1,895,000	-
Various Purpose Notes, Series 2019-1 maturity 4-9-20, 2.50%	-	245,000	-	245,000
Total Bond Anticipation Notes	$ 2,040,000	$ 245,000	$ 2,040,000	$ 245,000

NOTE 10 – LONG-TERM DEBT

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

	Original Issue Date	Maturity Date	Interest Rate	Original Issue Amount
Bond anticipation notes				
Various purpose notes	2019	2020	2.500%	$ 1,545,000
Various purpose notes	2019	2020	2.500%	1,650,000
General obligation bonds				
Refunding various purpose	2014	2019	1.900%	1,610,000
Refunding recreation facility improvements	2012	2021	3.050%	1,730,000
Special assessment bonds				
Street improvements	1999	2019	5.750%	320,000
Ohio Public Works Commission loan	1999	2019	0.000%	356,940
Ohio Public Works Commission loan	1999	2019	0.000%	360,306
Ohio Public Works Commission loan	2002	2022	0.000%	368,333
Ohio Public Works Commission loan	2002	2022	0.000%	185,183

NOTE 10 – LONG-TERM DEBT (CONTINUED)

Changes in the City's long-term obligations during 2019 were as follows:

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Amount Due In One Year
Bond Anticipation Notes:					
Various Purpose Notes					
maturity 5-1-19, 2.375%	$ 1,000,000	$ -	$ 1,000,000	$ -	$ -
Various Purpose Notes, Series 2019-1					
maturity 4-9-20, 2.50%	-	1,545,000	-	1,545,000	1,545,000
Various Purpose Notes, Series 2019-2					
maturity 4-9-20, 2.50%	-	1,650,000	-	1,650,000	1,650,000
Notes Premium	-	17,646	11,316	6,330	-
Total Bond Anticipation Notes	1,000,000	3,212,646	1,011,316	3,201,330	3,195,000
General Obligation Bonds:					
Refunding Various Purpose	334,000	-	334,000	-	-
Refunding Recreational Facilities					
Improvement	645,000	-	205,000	440,000	217,000
Total General Obligation Bonds	979,000	-	539,000	440,000	217,000
Special Assessment Bonds:					
Street Improvements	25,794	-	25,794	-	-
Total Special Assessment Bonds	25,794	-	25,794	-	-
Ohio Public Works Commission Loans:					
Concrete street reconstruction	8,923	-	8,923	-	-
Concrete street reconstruction	9,008	-	9,008	-	-
Concrete street reconstruction	64,458	-	18,417	46,041	18,417
Concrete street reconstruction	37,037	-	9,259	27,778	9,259
Total Ohio Public Works Commission Loans	119,426	-	45,607	73,819	27,676
Net Pension Liability					
OPERS	3,833,692	2,118,536	-	5,952,228	-
OP&F	14,887,432	4,394,606	-	19,282,038	-
Total Net Pension Liability	18,721,124	6,513,142	-	25,234,266	-
Total OPEB Liability					
OPERS	2,509,576	163,010	-	2,672,586	-
OP&F	13,743,506	-	11,586,757	2,156,749	-
Total Net OPEB Liability	16,253,082	163,010	11,586,757	4,829,335	-
Capital Lease Obligations	400,028	-	142,664	257,364	111,332
Compensated Absences	1,127,255	165,332	117,553	1,175,034	129,686
Total Long-Term Liabilities	$ 38,625,709	$ 10,054,130	$ 13,468,691	$ 35,211,148	$ 3,680,694

NOTE 10 – LONG-TERM DEBT (CONTINUED)

On April 11, 2020, the City issued $1,790,000 Various Purpose Bond Anticipation Notes (BANs). The BANs will mature on May 1, 2020 and have a 2.50% interest rate. The proceeds of the BANS were used to pay $1,000,000 various purpose BANs and $790,000 street improvement BANs. $245,000 of these notes are considered short-term debt and the remaining $ 1,545,000 is reported as long-term debt.

Bonds payable, special assessment bonds and loans will be repaid from the Bond Retirement Fund and bond anticipation notes with be repaid from the Capital Projects Fund and Bond Retirement Fund. The capital leases will be repaid from the Capital Improvement Fund. There is no repayment schedule for the net pension and net OPEB liability. Compensated absences, net pension liability and net OPEB liability will be repaid from the funds from which employees' salaries are paid. See notes 14 and 15 for further information regarding net pension and net OPEB liability.

The City defeased Series 2001 general obligation bonds in 2012 and Series 2004 various purpose general obligation bonds in 2014 by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2019, $430,000 of bonds outstanding are considered to be defeased.

Debt service requirements to retire bonds payable, notes payable and loans payable outstanding at December 31, 2019 consisted of:

Year	Principal	Interest	Total
2020	$ 244,676	$ 13,420	$ 258,096
2021	250,676	6,802	257,478
2022	18,467	-	18,467
	$ 513,819	$ 20,222	$ 534,041

NOTE 11 – CAPITAL LEASE

The City is obligated under certain leases accounted for as capital leases. The leased assets are included in capital assets and the related obligation is included under long-term debt. At December 31, 2019, assets under capital lease totaled $547,999 with related accumulated depreciation of $137,000. The leases are in effect through 2022. The leases are secured by the related property. The following is a schedule of future minimum lease payments under capital lease together with the net present value of the minimum lease payments as of December 31, 2019.

NOTE 11 – CAPITAL LEASE (CONTINUED)

Year	Total
2020	$ 117,841
2021	89,633
2022	61,425
Total	268,899
Interest	(11,535)
	$ 257,364

NOTE 12 – INTERFUND BALANCES AND TRANSFERS

These statements reflect an interfund receivable to the General Funds and an interfund payable from the Other Governmental Funds in the amount of $55,612 for an advance that was made to cover the grant expenditures in the CDBG Fund that would not have been reimbursed before year-end.

In preparing these statements, a GAAP Basis only transfer of $2,100,294 was made from the Bond Retirement Fund to the Capital Projects Fund to record the retirement of a short-term notes payable in the proper fund.

NOTE 13 – DEFINED BENEFIT PENSION PLANS

A. NET PENSIONS LIABILITY

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

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension 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 this estimate 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.

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. NET PENSIONS LIABILITY (CONTINUED

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

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

B. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. 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 were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (CONTINUED)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**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 and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 62 with 60 months of service credit or Age 57 with 25 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years 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 benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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 members' contributions plus or minus the investment gains or losses resulting from the members' 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.

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (CONTINUED)

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 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 remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $ 406,498 for 2019. Of this amount, $ 29,413 is reported as due to other government.

C. 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.

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OP&F) (CONTINUED)

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 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.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors. Members 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 members' 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	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OP&F) (CONTINUED)

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $ 1,103,968 for 2019. Of this amount $ 98,368 is reported as due to other government.

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The net pension liability for OPERS was measured as of December 31, 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:

	OPERS Traditional Pension Plan	OP&F	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.024437%	0.242567%	
Proportion of the Net Pension Liability Current Measurement Date	0.021733%	0.236223%	
Change in Proportionate Share	-0.002704%	-0.006344%	
Proportionate Share of the Net Pension Liability	$ 5,952,228	$ 19,282,038	$ 25,234,266
Pension Expense	$ 1,092,571	$ 2,395,292	$ 3,487,863

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 807,884	$2,375,530	$ 3,183,414
Differences between expected and actual experience	276	792,223	792,499
Changes of assumptions	518,153	511,194	1,029,347
Changes in proportion and differences between City contributions and proportionate share of contributions	44,359	12,401	56,760
City contributions subsequent to the measurement date	406,498	1,103,968	1,510,466
Total Deferred Outflows of Resources	$1,777,170	$4,795,316	$ 6,572,486
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 78,157	$ 18,004	$ 96,161
Changes in proportion and differences between City contributions and proportionate share of contributions	316,023	615,892	931,915
Total Deferred Inflows of Resources	$ 394,180	$ 633,896	$ 1,028,076

$1,510,466 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 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	OP&F	Total
Year Ending December 31:			
2020	$ 410,381	$ 967,038	$ 1,377,419
2021	115,439	447,586	563,025
2022	74,948	589,189	664,137
2023	375,724	1,002,594	1,378,318
2024	-	51,045	51,045
Total	$ 976,492	$ 3,057,452	$ 4,033,944

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. ACTUARIAL ASSUMPTIONS – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all prior 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, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple
	Post 1/7/2013 retirees; 3 percent, simple
	through 2018, then 2.15 percent simple
Investment Rate of Return	7.2 percent
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 previously 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.

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. ACTUARIAL ASSUMPTIONS – OPERS (CONTINUED)

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, 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 investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was at 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, post-experience study results. 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 to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the City's proportionate share of the net pension liability 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:

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. ACTUARIAL ASSUMPTIONS – OPERS (CONTINUED)

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	$ 8,793,172	$ 5,952,228	$ 3,591,378

F. 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 calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 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	3.00 percent simple, 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. ACTUARIAL ASSUMPTIONS – OP&F (CONTINUED)

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. Mortality rates for active members were based on the RP2014 Total employee and Healthy Annuitant Mortality Tables rolled back to 2006, 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 January 1, 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018 are summarized on the next page:

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. ACTUARIAL ASSUMPTIONS – OP&F (CONTINUED)

Asset Class	Target Allocation	10 year Expected Real Rate of Return **	30 year Expected Real Rate of Return **
Cash and Cash Equivalents	0.00 %	1.00 %	0.80 %
Domestic Equity	16.00	5.60	5.50
Non-US Equity	16.00	6.10	5.90
Core Fixed Income *	23.00	2.20	2.60
U.S. Inflation Linked Bonds *	17.00	1.30	2.30
High Yield Fixed Income	7.00	4.20	4.80
Real Estate	12.00	5.70	6.10
Private Markets	8.00	8.40	8.40
Master Limited Partnerships	8.00	6.70	6.40
Private Credit	5.00	8.30	7.50
Real Assets	8.00	7.00	7.00
Total	120.00 %		

Note: Assumptions are geometric
* levered 2x
** 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 The total pension liability was calculated using the discount rate of 8.00 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 8.00 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.

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. ACTUARIAL ASSUMPTIONS – OP&F (CONTINUED)

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 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$ 25,344,911	$ 19,282,038	$ 14,215,633

NOTE 14 – POST-EMPLOYMENT BENEFITS

A. NET OPEB LIABILITY

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting 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 OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

A. NET OPEB LIABILITY (CONTINUED)

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

B. 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. During 2019, health care is not being funded.

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

B. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (CONTINUED)

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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. 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 $1,288 for 2019.

C. 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. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

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

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

C. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OP&F) (CONTINUED)

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.

On January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. 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.

The City's contractually required contribution to OP&F was $26,088 for 2019.

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

D. 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 Prior Measurement Date	0.023110%	0.242567%	
Proportion of the Net OPEB Liability Current Measurement Date	0.020499%	0.236835%	
Change in Proportionate Share	-0.002611%	-0.005732%	
Proportionate Share of the Net OPEB Liability	$ 2,672,586	$ 2,156,749	$ 4,829,335
OPEB Expense	$ 150,769	$ (10,661,364)	$ (10,510,595)

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

D. OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (CONTINUED)

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			
Net difference between projected and actual earnings on OPEB plan investments	$ 122,522	$ 73,008	$ 195,530
Differences between expected and actual experience	905	-	905
Changes of assumptions	86,167	1,117,954	1,204,121
City contributions subsequent to the measurement date	1,288	26,088	27,376
Total Deferred Outflows of Resources	$ 210,882	$ 1,217,050	$ 1,427,932
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 7,252	$ 57,783	$ 65,035
Changes of assumptions	-	597,090	597,090
Changes in proportion and differences between City contributions and proportionate share of contributions	194,456	263,435	457,891
Total Deferred Inflows of Resources	$ 201,708	$ 918,308	$ 1,120,016

$27,376 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:

Year Ending December 31:	OPERS	OP&F	Total
2020	$ (436)	$ 52,214	$ 51,778
2021	(70,677)	52,214	(18,463)
2022	17,277	52,214	69,491
2023	61,722	74,294	136,016
2024	-	39,482	39,482
Thereafter	-	2,236	2,236
Total	$ 7,886	$ 272,654	$ 280,540

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

E. 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, including inflation	3.25 to 10.75 percent 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.

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

E. ACTUARIAL ASSUMPTIONS – OPERS (CONTINUED)

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 is 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 %

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

E. ACTUARIAL ASSUMPTIONS – OPERS (CONTINUED)

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 6.00 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	$3,419,233	$2,672,586	$2,078,804

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.

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

E. ACTUARIAL ASSUMPTIONS – OPERS (CONTINUED)

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 10.00 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	$2,568,935	$2,672,586	$2,791,964

F. 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.

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

G. ACTUARIAL ASSUMPTIONS – OP&F (CONTINUED)

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
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
Single discount rate:	
Current measurement date	4.66 percent
Prior measurement date	3.24 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased 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 Conduent 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 Conduent 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.

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

F. ACTUARIAL ASSUMPTIONS – OP&F (CONTINUED)

The long-term expected rate of return on OPEB 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 OP&F's target asset allocation as of December 31, 2018, are summarized below:

Asset Class	Target Allocation	10 year Expected Real Rate of Return **	30 year Expected Real Rate of Return **
Cash and Cash Equivalents	0.00 %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Core Fixed Income *	23.00	2.20	2.60
U.S. Inflation Linked Bonds *	17.00	1.30	2.30
High Yield Fixed Income	7.00	4.20	4.80
Real Estate	12.00	5.70	6.10
Private Markets	8.00	8.40	8.40
Master Limited Partnerships	8.00	6.70	6.40
Private Credit	5.00	8.30	7.50
Real Assets	8.00	7.00	7.00
Total	120.00 %		

Note: Assumptions are geometric
* levered 2x
** 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 the 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.

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

F. ACTUARIAL ASSUMPTIONS – OP&F (CONTINUED)

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 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 S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, 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 (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	$2,627,509	$2,156,749	$1,761,587

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate because it is based on a medical benefit that is a flat dollar amount.

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 15 – JOINTLY GOVERNED ORGANIZATION

A. SOUTHWEST COUNCIL OF GOVERNMENTS

The Southwest Council of Governments (the SCOG) is a regional council of governments formed under chapter 167 of the Ohio Revised Code for the purpose of fostering cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions and regional development. The Board is comprised of one member from each of the 19 participating entities. The Board exercises total control over the operation of the SCOG including budgeting, appropriating, contracting and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. The SCOG has established two subsidiary organizations, the Southwest Emergency Response Team (SERT) which provides hazardous material protection, emergency and technical rescue, and fire investigation services; and the Southwest Enforcement Bureau (SEB) which provides extra assistance to cities in the form of a Special Weapons and Tactics Team (SWAT Team) and bomb disposal unit. The SCOG's financial statements may be obtained by contacting the Southwest Council of Governments, 11 Berea Commons, Berea, Ohio 44017.

B. PARMA COMMUNITY GENERAL HOSPITAL ASSOCIATION

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

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

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

C. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

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

NOTE 15 – JOINTLY GOVERNED ORGANIZATION (CONTINUED)

C. NORTHEAST OHIO PUBLIC ENERGY COUNCIL (CONTINUED)

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

NOTE 16 – CONTINGENCIES

For the year ended December 31, 2019, the City received assistance from various state and federal agencies. There are certain requirements of a compliance nature that have to be met and programs are subject to audit by the grantor agency. Any disallowed claims could be liabilities of the General Fund or other applicable funds. In the opinion of management, any claims that might arise would not have a material effect on the City's financial statements.

In February 2018, the City was added as a defendant in a lawsuit involving fatalities. During 2016, attendees of an event held on City-owned property were struck by the vehicle of another attendee. The plaintiffs claim the City and other defendants were responsible for the planning and organization of the event. The City has insurance covering personal injury claims, up to prescribed limits. The matter is currently in the discovery phase and therefore the probability and amount of any potential liability to the City is not determinable at this time. The City intends to vigorously defend itself in this matter and it is now in the discovery phase.

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

NOTE 17 – SIGNIFICANT COMMITMENTS

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year is $8,165 for the general fund and $30,205 for other governmental funds.

NOTE 18 – RISK MANAGEMENT

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

NOTE 18 – RISK MANAGEMENT (CONTINUED)

The City has established a medical self-insurance program for City employees and their covered dependents. The City has elected to present hospitalization activity in the General Fund. This program is administered with the assistance of an outside third-party administrator (Medical Mutual of Ohio). At year- end, self-insurance was in effect for losses up to $75,000 per participant, with an aggregate maximum limit of reimbursement liability for the 2018 contract year of $1,000,000. Excess losses are insured by a private insurance company.

Liabilities are accrued when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Changes in the balance of claims liability during the years ended December 31, 2019 and 2018 are as follows. Incurred claims and claims payments are not segregated between events related to the current year and events related to prior years due to the impracticability of obtaining such information by separate period.

	2019	2018
Unpaid claims, beginning of year	$ 168,891	$ 140,341
Incurred claims	1,936,654	2,155,126
Claim payments	(2,027,959)	(2,126,576)
Unpaid claims, end of year	$ 77,586	$ 168,891

NOTE 19 – TAX ABATEMENT

During 2017, the City of Parma Heights, pursuant to City Ordinance No. 2003 - 30 and City Ordinance No. 2013 - 14, offered tax abatement incentives through a Community Reinvestment Area Program. Pursuant to Ohio Revised Code (ORC) Section 3735.66 the City Community Reinvestment Area was established, having met the requirements of ORC Section 3735.65 - 3735.70; and designated as the entire City boundaries (as depicted in Exhibit A attached to Ordinance 2013 - 14, passed March 25, 2013). Only residential, commercial and/or industrial properties consistent with the applicable zoning regulations within the Community Reinvestment Area are eligible for exemptions under this program.

Ordinance No. 2003 - 30, adopted September 22, 2003, had designated a section of five abutting parcels; which were the site of four apartment complexes, as Parma Heights CRA #1. Ordinance No. 2013 - 14 designated the entire city as Parma Heights CRA #2.

The purpose of each CRA is to provide a reasonable incentive for property owners to reinvest in their properties through remodeling or new construction. The goal of this program is to encourage residential and commercial property improvements and redevelopment; as a means to counteract the growth of age- related deterioration of property values, the lack of any new construction, and the lack of any significant residential or commercial rehabilitation. The long-term goal would be to stabilize and improve property values, and encourage economic development through provision of attractive housing options and job creation through revitalization of our commercial corridor.

NOTE 19 – TAX ABATEMENT (CONTINUED)

The Community Reinvestment Area Program offers tax abatement incentives in exchange for physical improvements to the real properties. The tax incentives are based on the theory of abating the property tax that would otherwise have been due on the value of the real property improvements. The maximum incentive available to residential property owners is an abatement of up to 100% of the value of the improvements up to ten years. Commercial property owners are eligible for up to 100% abatement of the value of the improvements up to a maximum of twelve years.

Through 2019, four single family residential properties have taken advantage of the abatement offered through CRA #2. The market value abated for the four parcels in total amounted to only $11,900 during 2019.

NOTE 20 – SUBSEQUENT EVENT

On April 8, 2020, the City issued $3,195,000 Various Purpose Bond Anticipation Notes (BANs). The BANs will mature on April 8, 2021 and have a 2.625% interest rate.

The United States and the State of Ohio declared a state of emergency in March 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 impact on the City’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF 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	0.021733%	0.024437%	0.023476%	0.026022%	0.028582%	0.028582%
City's Proportionate Share of the Net Pension Liability	$5,952,228	$3,833,692	$5,331,000	$4,460,101	$3,445,913	$3,369,065
City's Covered Payroll	$3,013,943	$3,330,708	$3,053,267	$3,234,100	$3,554,250	$3,770,638
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	197.49%	115.10%	174.60%	137.91%	96.95%	89.35%
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) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO POLICE AND FIRE PENSION PLAN
LAST SIX YEARS (1)

	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.236223%	0.242567%	0.242392%	0.249079%	0.255863%	0.255863%
City's Proportionate Share of the Net Pension Liability	$19,282,038	$14,887,432	$15,352,866	$16,023,427	$13,254,770	$12,461,331
City's Covered Payroll	$5,580,339	$5,511,182	$5,212,124	$5,066,955	$5,222,800	$5,070,365
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	345.54%	270.13%	294.56%	316.23%	253.79%	245.77%
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) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS- PENSION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM- TRADITIONAL PLAN
LAST SEVEN YEARS (1)

	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	$406,498	$421,952	$432,992	$366,392	$388,092	$426,510	$490,183
Contributions in Relation to the Contractually Required Contribution	($406,498)	($421,952)	($432,992)	($366,392)	($388,092)	($426,510)	($490,183)
Contribution Deficiency / (Excess)	$0	$0	$0	$0	$0	$0	$0
City's Covered Payroll	$2,903,557	$3,013,946	$3,330,708	$3,053,267	$3,234,100	$3,554,250	$3,770,638
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS- PENSION
OHIO POLICE AND FIRE PENSION FUND
LAST TEN YEARS

	2019	**2018**	**2017**	**2016**
Contractually Required Contributions	$1,103,968	$1,123,164	$1,138,816	$1,103,612
Contributions in Relation to the Contractually Required Contribution	($1,103,968)	($1,123,164)	($1,138,816)	($1,103,612)
Contribution Deficiency / (Excess)	$0	$0	$0	$0
City's Covered Payroll	$5,217,757	$5,580,339	$5,511,182	$5,212,124
Contributions as a Percentage of Covered-Employee Payroll	21.16%	20.13%	20.66%	21.17%

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
$1,071,019	$1,069,195	$909,139	$771,295	$758,916	$729,737
($1,071,019)	($1,069,195)	($909,139)	($771,295)	($758,916)	($729,737)
$0	$0	$0	$0	$0	$0
$5,066,955	$5,222,800	$5,070,365	$5,164,376	$5,058,283	$4,892,978
21.14%	20.47%	17.93%	14.93%	15.00%	14.91%

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM- TRADITIONAL PLAN
LAST THREE YEARS (1)

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.020499%	0.023110%	0.023110%
City's Proportionate Share of the Net OPEB Liability	$ 2,672,586	$ 2,509,576	$ 2,334,188
City's Covered Payroll	$ 3,013,946	$ 3,330,708	$ 3,053,267
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	88.67%	75.35%	76.45%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF 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	0.236835%	0.242567%	0.242392%
City's Proportionate Share of the Net OPEB Liability	$ 2,156,749	$ 13,743,506	$ 11,505,803
City's Covered Payroll	$ 5,580,339	$ 5,511,182	$ 5,212,124
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	38.65%	249.37%	220.75%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY'S CONTRIBUTIONS- OPEB
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM-TRADITIONAL PLAN
LAST FOUR YEARS (1)

	2019	2018	2017	2016
Contractually Required Contribution	$ 1,288	$ -	$ 33,294	$ 59,382
Contributions in Relation to the Contractually Required Contribution	(1,288)	-	(33,294)	(59,382)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City Covered Payroll	$ 2,903,557	$ 3,013,946	$ 3,330,708	$ 3,053,267
Contributions as a Percentage of Covered Payroll	0.04%	0.00%	1.00%	1.94%

(1) Information prior to 2016 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

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CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY'S CONTRIBUTIONS- OPEB
OHIO POLICE AND FIRE PENSION FUND
LAST TEN YEARS (1)

	2019	2018	2017	2016
Contractually Required Contribution	$ 26,088	$ 26,505	$ 26,350	$ 26,352
Contributions in Relation to the Contractually Required Contribution	(26,088)	(26,505)	(26,350)	(26,352)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City Covered Payroll	$ 5,217,757	$ 5,580,339	$ 5,511,182	$ 5,212,124
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
$ 25,617	$ 26,405	$ 29,891	$ 23,515	$ 23,031	$ 22,279
(25,617)	(26,405)	(29,891)	(23,515)	(23,031)	(22,279)
$ -	$ -	$ -	$ -	$ -	$ -
$ 5,066,955	$ 5,222,800	$ 5,070,365	$ 5,164,376	$ 5,058,283	$ 4,892,978
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) 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. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2019.
Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2019.
Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25 percent to 8.00 percent (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to 3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014

Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2016. For 2019, there have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018. For 2019, see below regarding changes to stipend-based model.

Changes in assumptions: For 2018, the single discount rate changed from 3.79 percent to 3.24 percent. For 2019, the changes of assumptions were: (a) beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer 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 (b) beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5% (c) the single discount rate changed from 3.24 percent to 4.66 percent.

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OHIO AUDITOR OF STATE
KEITH FABER

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Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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

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

To the City 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, each major fund, and the aggregate remaining fund information of the City of Parma Heights, Cuyahoga County, (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 October 19, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2019-001 and 2019-002 to be significant deficiencies.

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 statements. 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*.

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

October 19, 2021

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2019**

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

1. **Payroll Deficiencies**

FINDING NUMBER 2019-001

SIGNIFICANT DEFICIENCY

An employee personnel file should be created for each employee and should contain documentation supporting the position and authorized salary rate and should be easily accessible with supervisor approval.

Additionally, Sections 3.3 and 3.6 of the City Personnel Policy Manual provide that each regular full-time employee is eligible for annual vacation and sick leave benefits. Unused vacation leave cannot be accrued from year to year and may be paid to the employee in an annual payment of not more than three weeks per year, up to a maximum amount of nine weeks. Unused sick leave can be accumulated up to seventeen hundred and fifty hours.

All hourly employees should sign their time sheets and the department head/supervisor must sign department payroll sheets. Salaried employees should be subject to completing a leave form signed by a supervisor when time off is taken. Accrued and used leave should be tracked in the accounting system. This is a key control to ensure information related to employees working hours and leave taken is accurate and the appropriate amount of compensation is paid.

Adequate timesheet support was not provided for 12 of 29 time sheets tested. We were unable to determine if the lack of time sheets led to over payments in 2019 as we had to depend on Payroll Hours provided on pay stubs without further support. Not having proper documentation of the supervisor review of time sheets and leave forms could lead to employees being paid for hours not worked and potential findings for recovery.

For 22 of 29 employees tested, the personnel file did not include employee pay rates. In testing, the majority of employees were found to be within the authorized pay ranges approved by the board in the ordinances. However, specific pay rates for employees could not be determined as management did not have documentation regarding pay rate approval on file. There was no means to determine the exact agreed upon pay for employees, and raises. Although, pay rates appeared to be within the initial approved salary range, documentation of the specific pay rate was not available. Due to not being able to verify an exact pay rate, we noted immaterial discrepancies in payroll recalculations.

We also noted that a City employee who became a full time employee effective September 1, 2019 did not complete timesheets or another tracking method for the period September 1, 2019 through December 31, 2019. As a result, the employee's leave accrued and used was not reported.

Not having proper documentation of exact pay rates and leave earned and used could lead to employees being overpaid and cause potential findings for recovery or financial statement errors.

We recommend the department head/supervisor of any employee of the City review the timesheets or leave forms each pay and once they have determined the information is accurate, sign the timesheet/payroll sheet as evidence they believe the time is accurate. These timesheets should be stored in a place they are easily accessible for review. Additionally, departments should ensure that all leave is formally approved for each employee by his or her supervisor prior to taking leave.

Official's Response: We did not receive a response from Officials to this finding.

2. **Pool Receipts**

FINDING NUMBER 2019-002

SIGNIFICANT DEFICIENCY

The City Recreation department cash register system did not record individual receipts collected, adjustments, or voided items. As such, underlying receipt supporting documentation was not maintained for reported pool and concession receipts totaling $142,194.

Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose.

We recommend the City maintain all underlying supporting documentation for all financial transactions and maintain records in an orderly manner to support all transactions.

Official's Response: We did not receive a response from Officials to this finding.

Office of KATIE IACONIS, Finance Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	The general fund accounts “Transportation” and “General Government” had total final appropriations in excess of estimated resources plus carryover balances, contrary to Ohio Revised Code Section 5705.41(B).	Corrected	
2018-002	Municipal income taxes were found to be materially understated as a result of audit procedures.	Partially Corrected	A similar comment was reported in the Management Letter.

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF PARMA HEIGHTS

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 11/23/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370