OHIO AUDITOR OF STATE
KEITH FABER

CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

City of Parma Heights
Cuyahoga County
6281 Pearl Road
Parma Heights, Ohio 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, 2020, 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.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
General Fund	Unmodified
General Bond Retirement Fund	Unmodified
Capital Projects Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities

Management has not adopted an adequate methodology for tracking and updating employee leave balances and, accordingly, has not provided adequate evidence supporting the compensated absences component of its governmental activities' due in more than one year and due within one year long term liabilities. Accounting principles generally accepted in the United States of America require a liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee to be accrued as employees earn the rights and benefits. The amount by which this departure would affect the liabilities and expenses, cannot reasonably be determined.

Qualified Opinions

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on Governmental Activities* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City, as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund, General Bond Retirement Fund, Capital Projects Fund, and the aggregate remaining fund information of the City, as of December 31, 2020, and the respective changes in its financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 of 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.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, 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

September 28, 2022

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CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020
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, 2020. 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 2020 are as follows:

- Total net position increased by $324,679 or 8.11% in 2020. This was comprised of a decrease in net investment in capital assets of $859,951, an increase in unrestricted net position of $1,694,607 and a decrease in restricted net position of $509,977.

- Capital assets, net of depreciation, decreased by $1,476,061 or 7.55% in 2020. This decrease is the result of depreciation expense and capital asset disposals exceeding the amount of additions to capital assets.

- Current and other assets increased by $2,258,889 or 22.10% in 2020. The most notable change in current and other assets was an increase in equity in pooled cash and cash equivalents.

- Total liabilities decreased $6,711,925 or 18.29% in 2020. The majority of this decrease was due to a decrease in net pension liability of $6,354,352.

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 2020.

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 20. 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.

Proprietary Funds

The City maintains one type of proprietary fund: internal service funds. An internal service fund is an accounting device used to accumulate and allocate costs internally throughout the City's various functions. The City maintains three internal service funds: self-insurance fund which accounts for the hospital/medical and prescription drug benefits for the self-insurance programs for the employees of the City, the fleet maintenance fund, which accounts for charges to various departments for fuel and maintenance on vehicles and equipment, and workers' compensation fund which accounts for all claims and premiums. Because these services benefit governmental functions, the fund has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the City's internal service funds.

The basic proprietary fund financial statements can be found on pages 25 through 27 of this report.

Fiduciary Funds

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

The fiduciary fund financial statement can be found on pages 28-29 of this report.

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 2020 compared to 2019.

Table 1

	Governmental Activities	
	2020	2019 *
ASSETS		
Current and Other Assets	$ 12,481,587	$ 10,222,698
Capital Assets, Net	18,085,017	19,561,078
Total Assets	30,566,604	29,783,776
DEFERRED OUTFLOWS OF RESOURCES		
Deferral on Refunding	2,144	4,287
Pension	2,508,559	6,572,486
OPEB	1,727,113	1,427,932
Total Deferred Outflows of Resources	4,237,816	8,004,705
LIABILITIES		
Current and Other Liabilities	1,303,385	1,481,264
Long-term Liabilities:		
Due Within One Year	3,589,329	3,680,694
Due in More than One Year:		
Net Pension Liability	18,879,914	25,234,266
Net OPEB Liability	4,900,009	4,829,335
Other Amounts	1,307,850	1,466,853
Total Liabilities	29,980,487	36,692,412
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	2,889,510	2,950,067
Pension	3,949,482	1,028,076
OPEB	1,662,352	1,120,016
Total Deferred Inflows of Resources	8,501,344	5,098,159
NET POSITION		
Net Investment in Capital Assets	14,487,901	15,347,852
Restricted	1,198,837	1,708,814
Unrestricted	(19,364,149)	(21,058,756)
Total Net Position	$ (3,677,411)	$ (4,002,090)

* - Restated

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 increased by $782,828 from 2019 to 2020. The increase in assets is mainly the result of an increase to equity in pooled cash and cash equivalents, which was offset by a decrease in capital assets, net.

The City's total liabilities decreased by $6,711,925 which was the result mainly of the decrease in net pension liability. The changes in deferred outflows and inflows of resources are mainly due to the recording of GASB Statements No. 68 and 75 as previously discussed.

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 2020 and 2019.

Table 2

	Governmental Activities	
	2020	2019
REVENUES		
Program Revenues:		
Charges for Services	$ 2,979,475	$ 3,515,180
Operating Grants and Contributions	3,509,707	1,422,453
Capital Grants and Contributions	190,560	95,897
Total Program Revenues	6,679,742	5,033,530
General Revenues:		
Property Taxes	2,972,254	2,653,359
Municipal Income Taxes	7,515,736	7,827,124
Grants and Entitlements	1,153,494	1,076,078
Investment Income	11,609	68,050
Gain on Sale of Capital Assets	-	68,440
All Other Revenues	105,198	180,012
Total General Revenues	11,758,291	11,873,063
Total Revenues	18,438,033	16,906,593
EXPENSES		
Program Expenses:		
Security of Persons and Property	9,091,533	1,167,604
Public Health Services	108,967	426,153
Leisure Time Activities	679,458	895,168
Community Environment	541,273	564,473
Basic Utility Services	1,164,174	1,189,901
Transportation	2,737,133	6,048,314
General Government	3,677,282	2,166,347
Interest and Fiscal Charges	113,534	126,559
Total Expenses	18,113,354	12,584,519
Change in Net Position	324,679	4,322,074
Net Position - Beginning of Year, Restated	(4,002,090)	(8,324,164)
Net Position - End of Year	$ (3,677,411)	$ (4,002,090)

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 56.9% and grants and entitlements, unrestricted in general revenue, totaling $1,153,494 accounts for 6.2% of total governmental activity revenue. These unrestricted grants and entitlements are comprised of distributions from the State and County. Program revenues comprising 36.2% of total revenues and had a total increase of $1,646,212 in 2020. The increase was mainly due to the receipt of CARES Act funding due to the COVID-19 pandemic.

The provisions of GASB Statements 68 and 75 required the City to recognize a pension/OPEB adjustment that increased expenses by a total of $972,187 in 2020 compared to a decrease of expenses by $8,560,574 in 2019. 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

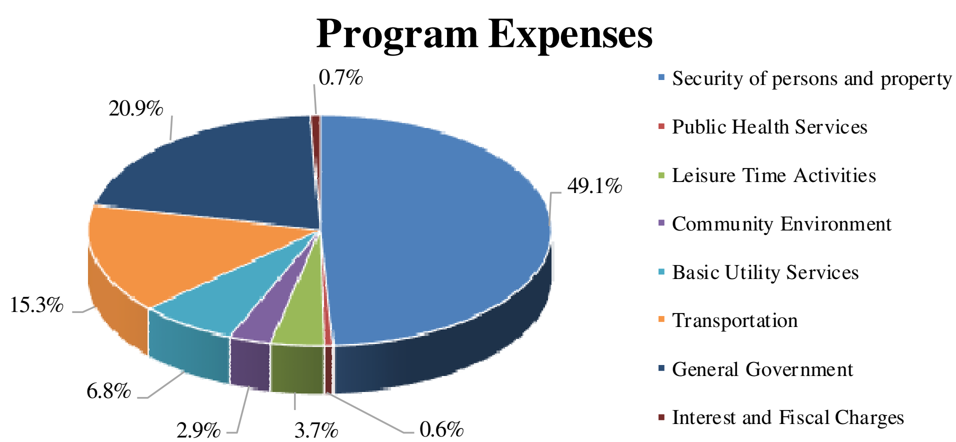
	Governmental Activities 2020	Governmental Activities 2019
EXPENSES		
Program Expenses:		
Security of Persons and Property	$ 8,413,389	$ 10,447,669
Public Health Services	108,967	385,326
Leisure Time Activities	636,314	807,112
Community Environment	504,380	491,773
Basic Utility Services	1,164,174	1,176,208
Transportation	2,620,493	5,788,609
General Government	3,579,916	1,921,837
Interest and Fiscal Charges	113,534	126,559
Total Expenses	$ 17,141,167	$ 21,145,093

Using the adjusted amounts from the table above, the City's total governmental activities experienced a 18.9 percent decrease in 2020 program expenses when compared to 2019 expenses. Security of persons and property, including our police and fire departments, accounted for $8,413,389, which is 49.1% of total governmental activity expenses. Transportation expense, includes streets and road maintenance, accounted for $2,620,493 or 15.3%. General government expenses, including the executive, legislative and administrative functions of our City government activities accounted for $3,579,916 or 20.9%. The remaining 14.7% 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	$ 8,413,389	$ (5,721,731)
Public Health Services	108,967	(108,967)
Leisure Time Activities	636,314	(123,384)
Community Environment	504,380	(168,731)
Basic Utility Services	1,164,174	(1,164,174)
Transportation	2,620,493	(436,336)
General Government	3,579,916	(2,624,568)
Interest and Fiscal Charges	113,534	(113,534)
Total Cost of Services	$ 17,141,167	$ (10,461,425)



Charges for services, operating grants and contributions, and capital grants and contributions all reduce the governmental activity expenses. For 2020, there was a difference of $6,679,742 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 $2,034,280 primarily through the receipt of grants related to COVID-19 pandemic and significant Workers' Compensation refunds distributed back to the City from the Ohio Bureau of Workers' Compensation.
- Leisure time activities expenses were reduced by $170,798 primarily due to cancellation of the City's summer programs due to the COVID-19 pandemic.
- Public health and welfare expenses were reduced by $276,359 due to the reclassification of senior services expenditures to general governmental services.
- Transportation services were reduced by $3,168,116 primarily through the receipt of grants related to COVID-19 pandemic and significant Workers' Compensation refunds distributed back to the City from the Ohio Bureau of Workers' Compensation.

- General government expenses increased by $1,658,079 due to reclassifications and change in accounting methods of various departments.

Financial Analysis of the Government's Funds

Information about the City's governmental funds begins on page 20. These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had revenues of $19,232,713 not including other financing sources and expenditures of $20,683,428 not including other financing uses. The General fund balance increased by $1,876,245 in 2020 due to a decrease in expenses in 2020. The General Bond Retirement fund balance increased by $157,370 due to revenues exceeding expenses. The General Capital Improvement fund balance decreased by $481,674 due to expenses exceeding revenue.

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 2020 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 $14,557,286 and the final budgeted revenue amount, including other financing sources, was $15,248,338. The increase in budgeted revenues of $691,052 was derived primarily from increase in municipal income taxes.

The City collected approximately 90.36% of its final budgeted revenues in 2020.

The original appropriations or expenditure estimates, for the General Fund was $12,787,680 and the final appropriation total was $14,918,691 for an increase of $2,131,011, due mainly to transfers out.

Capital Assets and Debt Administration

Capital Assets

Table 5
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2020	2019
Land	$ 1,421,777	$ 1,421,777
Construction in progress	80,286	59,405
Buildings and Improvements	2,635,922	2,807,910
Machinery, Equipment and Vehicles	1,605,925	1,751,834
Infrastructure	12,341,107	13,520,152
Total	$ 18,085,017	$ 19,561,078

The City's total capital assets for governmental activities decreased in 2020 by $1,476,061. The majority of this decrease was from depreciation expense exceeding the amount of capital assets added during 2020. See Note 8 for additional detailed information on capital assets.

Debt

As of December 31, 2020, the City of Parma Heights had $3,599,260 in long-term debt obligations excluding net pension liability and compensated absences, comprised as shown in Table 6. Payments due within one-year total $3,531,839 excluding compensated absences.

Table 6
Long-Term Debt

	Governmental Activities	
	2020	2019
Loans Payable	$ 32,305	$ 73,819
Bond Anticipation Notes	3,197,923	3,201,330
General Obligation Bonds Payable	223,000	440,000
Capital Lease Obligations	146,032	257,364
Total Outstanding Debt	$ 3,599,260	$ 3,972,513

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.

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. 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 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, 2020

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	$ 4,949,329
Materials and Supplies Inventory	68,439
Accounts Receivable	238,084
Intergovernmental Receivable	1,361,425
Prepaid Items	35,995
Municipal Income Taxes Receivable	2,808,343
Property Taxes Receivable	3,015,506
Special Assessments Receivable	4,466
Nondepreciable Capital Assets	1,502,063
Depreciable Capital Assets	16,582,954
Total Assets	30,566,604
DEFERRED OUTFLOWS OF RESOURCES	
Deferral on Refunding	2,144
Pension	2,508,559
OPEB	1,727,113
Total Deferred Outflows of Resources	4,237,816
LIABILITIES	
Accounts and Contracts Payable	839,411
Accrued Wages and Benefits	92,136
Intergovernmental Payable	133,679
Accrued Interest Payable	63,942
Claims Payable	174,217
Long-term Liabilities:	
Due Within One Year	3,589,329
Due in More than One Year:	
Net Pension Liability	18,879,914
Net OPEB Liability	4,900,009
Other Amounts Due in More than One Year	1,307,850
Total Liabilities	29,980,487
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	2,889,510
Pension	3,949,482
OPEB	1,662,352
Total Deferred Inflows of Resources	8,501,344
NET POSITION	
Net Investment in Capital Assets	14,487,901
Restricted for:	
Debt Service	262,617
Capital Projects	253,075
Highways and Streets	288,155
Public Safety	78,004
Recreation	110,242
Other Purposes	206,744
Unrestricted (Deficit)	(19,364,149)
Total Net Position	$ (3,677,411)

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, 2020

		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	$ 9,091,533	$ 1,011,417	$ 1,680,241	$ -	$ (6,399,875)
Public Health Services	108,967	-	-	-	(108,967)
Leisure Time Activities	679,458	41,244	320,831	150,855	(166,528)
Community Environment	541,273	335,649	-	-	(205,624)
Basic Utility Services	1,164,174	-	-	-	(1,164,174)
Transportation	2,737,133	854,247	1,329,910	-	(552,976)
General Government	3,677,282	736,918	178,725	39,705	(2,721,934)
Interest and Fiscal Charges	113,534	-	-	-	(113,534)
Total Governmental activities	$ 18,113,354	$ 2,979,475	$ 3,509,707	$ 190,560	(11,433,612)

General Revenues:	
Property Taxes levied for:	
General Purposes	2,050,580
Other Purposes	327,053
Debt Service	445,967
Capital Improvements	148,654
Municipal Income Taxes levied for:	
General Purposes	7,515,736
Grants and Entitlements not Restricted to Specific Programs	1,153,494
Investment Income	11,609
All Other Revenues	105,198
Total General Revenues	11,758,291
Change in Net Position	324,679
Net Position - Beginning of Year, Restated	(4,002,090)
Net Position - End of Year	$ (3,677,411)

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, 2020

	General Fund	General Bond Retirement	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Cash Equivalents	$ 2,029,584	$ 269,464	$ 403,536	$ 542,889	$ 3,245,473
Materials and Supplies Inventory	-	-	-	58,624	58,624
Accounts Receivable	229,914	-	-	8,170	238,084
Interfund Receivable	55,612	-	-	-	55,612
Intergovernmental Receivable	604,737	32,193	-	701,016	1,337,946
Prepaid Items	35,995	-	-	-	35,995
Municipal Income Taxes Receivable	2,808,343	-	-	-	2,808,343
Property Taxes Receivable	2,080,700	452,326	-	482,480	3,015,506
Special Assessments Receivable	-	4,466	-	-	4,466
Total Assets	$ 7,844,885	$ 758,449	$ 403,536	$ 1,793,179	$ 10,800,049
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	$ 436,419	$ -	$ 259,186	$ 130,749	$ 826,354
Accrued Wages and Benefits	75,917	-	-	13,018	88,935
Intergovernmental Payable	26,231	-	-	103,215	129,446
Interfund Payable	-	-	-	55,612	55,612
Total Liabilities	538,567	-	259,186	302,594	1,100,347
Deferred Inflows of Resources:					
Property Taxes	1,993,763	433,427	-	462,320	2,889,510
Unavailable Revenue - Delinquent Property Taxes	86,937	18,899	-	20,160	125,996
Unavailable Revenue - Income Taxes	2,078,556	-	-	-	2,078,556
Unavailable Revenue - Other	704,891	36,659	-	617,003	1,358,553
Total Deferred Inflows of Resources	4,864,147	488,985	-	1,099,483	6,452,615
Fund Balances:					
Nonspendable	91,607	-	-	58,624	150,231
Restricted	159	269,464	144,350	334,771	748,744
Assigned	475,708	-	-	-	475,708
Unassigned (Deficit)	1,874,697	-	-	(2,293)	1,872,404
Total Fund Balances	2,442,171	269,464	144,350	391,102	3,247,087
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 7,844,885	$ 758,449	$ 403,536	$ 1,793,179	$ 10,800,049

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, 2020

Total Governmental Fund Balances		$ 3,247,087
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		18,085,017
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:		
Delinquent property taxes	125,996	
Municipal income taxes	2,078,556	
Special assessments	15,366	
Intergovernmental	928,395	
Charges for services	112,602	
Miscellaneous	302,190	
Total		3,563,105
Deferred outflows of resources represent deferred charges on refundings, which are not reported on in the funds		2,144
In the Statement of Activities, interest is accrued on outstanding bonds and loans, whereas in Governmental funds, an interest expenditure is reported when due.		(63,942)
An Internal Service fund is used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the Internal Service fund is included in Governmental Activities in the Statement of Net Position.		1,487,320
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	2,508,559	
Deferred Inflows - Pension	(3,949,482)	
Net Pension Liability	(18,879,914)	
Deferred Outflows - OPEB	1,727,113	
Deferred Inflows - OPEB	(1,662,352)	
Net OPEB Liability	(4,900,009)	
Total		(25,156,085)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Loans Payable	(32,305)	
Note Payable	(3,195,000)	
General Obligation Bonds	(223,000)	
Note Premium	(2,923)	
Capital leases	(146,032)	
Compensated absences	(1,242,797)	
Total		(4,842,057)
Net Position of Governmental Activities		$ (3,677,411)

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, 2020

	General Fund	General Bond Retirement	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	$ 2,035,261	$ 442,644	$ -	$ 472,161	$ 2,950,066
Municipal Income Taxes	8,717,664	-	-	-	8,717,664
Intergovernmental	1,166,005	64,385	39,705	3,190,176	4,460,271
Interest	11,609	-	-	-	11,609
Fines, Licenses, and Permits	608,833	-	-	1,035	609,868
Fines and Forfeitures	338,766	-	-	-	338,766
Charges for Services	1,915,476	-	-	41,244	1,956,720
Contributions and Donations	63,135	-	-	1,200	64,335
Special Assessments	25,137	-	-	-	25,137
All Other Revenues	55,039	-	-	43,238	98,277
Total Revenues	14,936,925	507,029	39,705	3,749,054	19,232,713
EXPENDITURES					
Current:					
Security of Persons and Property	6,509,087	-	-	2,681,433	9,190,520
Public Health Services	102,755	-	-	-	102,755
Leisure Time Activities	351,304	-	-	234,914	586,218
Community Environment	473,464	-	-	85,880	559,344
Basic Utility Services	117,221	-	-	-	117,221
Transportation	2,873	-	-	2,026,781	2,029,654
General Government	3,720,976	-	-	34,033	3,755,009
Capital Outlay	-	-	521,379	147,135	668,514
Debt Service:					
Principal Retirement	-	3,453,514	-	111,332	3,564,846
Interest and Fiscal Charges	-	84,109	-	6,508	90,617
Debt Issuance Costs	-	18,730	-	-	18,730
Total Expenditures	11,277,680	3,556,353	521,379	5,328,016	20,683,428
Excess of Revenues Over (Under) Expenditures	3,659,245	(3,049,324)	(481,674)	(1,578,962)	(1,450,715)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	-	-	-	10,729	10,729
Bond Anticipation Notes	-	3,195,000	-	-	3,195,000
Premium on Debt Issuance	-	11,694	-	-	11,694
Transfers In	-	-	-	1,783,000	1,783,000
Transfers Out	(1,783,000)	-	-	-	(1,783,000)
Total Other Financing Sources (Uses)	(1,783,000)	3,206,694	-	1,793,729	3,217,423
Net Change in Fund Balances	1,876,245	157,370	(481,674)	214,767	1,766,708
Fund Balances - Beginning of Year, Restated	565,926	112,094	626,024	176,335	1,480,379
Fund Balances - End of Year	$ 2,442,171	$ 269,464	$ 144,350	$ 391,102	$ 3,247,087

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, 2020

Net Change in Fund Balances-Total Governmental Funds		$ 1,766,708
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	$ 212,019	
Depreciation	(1,675,185)	
Total		(1,463,166)
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.		(12,895)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	22,188	
Municipal income taxes	(1,201,928)	
Special assessments	9,416	
Intergovernmental	78,056	
Charges for services	3,698	
Miscellaneous	293,890	
Total		(794,680)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows		
Pension		1,357,615
OPEB		26,027
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		(1,988,596)
OPEB		(339,856)
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 note and the related premium.		(3,206,694)
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.		3,564,846
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	(67,763)	
Accrued interest on bonds	(17,145)	
Amortization of bond premiums	15,101	
Amortization of loss on refunding	(2,143)	
Total		(71,950)
An Internal Service fund is used by management to charge costs to certain activities, such as insurance to individual funds. The net revenue (expense) of an Internal Service fund is reported in the Governmental Activities.		1,487,320
Change in Net Position of Governmental Activities		$ 324,679

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, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property Taxes	$ 1,746,640	$ 1,819,328	$ 2,035,261	$ 215,933
Municipal Income Taxes	8,525,216	8,880,000	8,359,556	(520,444)
Intergovernmental	1,036,517	1,079,652	1,003,072	(76,580)
Interest	-	-	11,609	11,609
Fines, Licenses and Permits	1,292,087	1,345,858	608,302	(737,556)
Charges for Services	1,310,483	1,365,020	1,249,858	(115,162)
Special Assessments	-	-	25,137	25,137
All Other Revenues	51,343	53,480	36,275	(17,205)
Total Revenues	13,962,286	14,543,338	13,329,070	(1,214,268)
Expenditures:				
Current:				
Security of Persons and Property	8,865,544	8,336,145	6,746,961	1,589,184
Public Health Services	112,913	112,913	112,913	-
Leisure Time Activities	106,334	67,000	63,728	3,272
Community Environment	578,481	575,346	559,403	15,943
Transportation	68,346	68,346	-	68,346
General Government	3,056,062	3,861,941	4,275,496	(413,555)
Total Expenditures	12,787,680	13,021,691	11,758,501	1,263,190
Excess of Revenues Over (Under) Expenditures	1,174,606	1,521,647	1,570,569	48,922
Other Financing Sources (Uses):				
Advances In	-	110,000	-	(110,000)
Transfers In	595,000	595,000	450,000	(145,000)
Transfers Out	-	(1,897,000)	(1,897,000)	-
Total Other Financing Sources (Uses)	595,000	(1,192,000)	(1,447,000)	(255,000)
Net Change in Fund Balance	1,769,606	329,647	123,569	(206,078)
Fund Balance - Beginning of Year	240,500	240,500	240,500	-
Prior Year Encumbrances Appropriated	81,278	81,278	81,278	-
Fund Balance - End of Year	$ 2,091,384	$ 651,425	$ 445,347	$ (206,078)

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUND

DECEMBER 31, 2020

	Governmental Activities Internal Service Fund
ASSETS	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$ 1,703,856
Materials and Supplies Inventory	9,815
Intergovernmental Receivable	23,479
Total Current Assets	1,737,150
DEFERRED OUTFLOWS OF RESOURCES	
Pension	27,258
OPEB	119
Total Deferred Outflows of Resources	27,377
LIABILITIES	
Current Liabilities:	
Accounts Payable	13,057
Accrued Wages and Benefits	3,201
Matured Compensated Absences Payable	1,511
Intergovernmental Payable	4,233
Claims Payable	174,217
Total Current Liabilities	196,219
Noncurrent Liabilities:	
Compensated Absences Payable	53,611
Total Liabilities	249,830
NET POSITION	
Unrestricted	1,514,697
Total Net Position	$ 1,514,697

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges for Services	$ 4,150,752
Miscellaneous	23,479
Total Operating Revenues	4,174,231
OPERATING EXPENSES	
Salaries	283,474
Fringe Benefits	206,448
Materials and Supplies	394,018
Contractual Services	501,836
Claims	1,273,758
Total Operating Expense	2,659,534
Change in Net Position	1,514,697
Net Position - Beginning of Year	-
Net Position - End of Year	$ 1,514,697

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Charges for Services	$ 310,201
Cash Received from Interfund Services Provided	3,840,497
Other Cash Receipts	54
Cash Payments to Employees for Services	(225,196)
Cash Payments for Employee Benefits	(229,547)
Cash Payments for Goods and Services	(892,612)
Cash Payments for Claims	(1,099,541)
Net Cash Provided by Operating Activities	1,703,856
Net Increase in Cash and Cash Equivalents	1,703,856
Cash and Cash Equivalents - Beginning of Year	-
Cash and Cash Equivalents - End of Year	$ 1,703,856
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	$ 1,514,697
Adjustments:	
(Increase) Decrease in Assets:	
Intergovernmental Receivable	(23,479)
Materials and Supplies Inventory	(9,815)
(Increase) in Deferred Outflows of Resources:	
Pension	(27,258)
OPEB	(119)
Increase (Decrease) in Liabilities:	
Accounts Payable	13,057
Accrued Wages	3,201
Intergovernmental Payable	4,233
Claims Payable	174,217
Compensated Absences Payable	55,122
Net Cash Provided by Operating Activities	$ 1,703,856

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND

DECEMBER 31, 2020

	Custodial Fund
ASSETS	
Equity in Pooled Cash and Cash Equivalents	$ 20,589
Total Assets	20,589
LIABILITIES	
Total Liabilities	-
NET POSITION	
Restricted For:	
Individuals, Organizations, and Other Governments	20,589
Total Net Position	$ 20,589

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
CUSTODIAL FUND

DECEMBER 31, 2020

	Custodial Fund
ADDITIONS	
Licenses, Permits, & Fees Distributions for Other Governments	$ 953
Total Additions	953
DEDUCTIONS	
Total Deductions	-
Net Increase in Fiduciary Net Position	953
Net Position - Beginning of Year, Restated	19,636
Net Position - End of Year	$ 20,589

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 activity of the internal services funds are eliminated to avoid "doubling up" revenues and expenses.

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. The internal service funds are presented on the face of the proprietary fund statements. 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 maintains one type of proprietary fund: internal service funds. An internal service fund is an accounting device used to accumulate and allocate costs internally throughout the City's various functions. The City internal service funds account for the hospital/medical and prescription drug benefits for the self-insurance programs for the employees of the City, the charges to various departments for fuel and maintenance on vehicles and equipment, and the workers' compensation claims and premiums.

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. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's only fiduciary funds is a custodial fund, which accounts for state fees collected.

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 a 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, 2020, but which were levied to finance fiscal year 2021 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 21. 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 2020, 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 $100 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	$ 11,609	$ 7,443

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, 2020 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 used by the internal service funds are reported in the governmental activities column of the statement of net position and in the internal service column on the statement of fund net position.

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 2020, 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.

T. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for the self-insurance programs and fleet maintenance.

Operating expenses are necessary costs incurred to provide the goods or service that are the primary activity of the fund. All revenues and expenditures not meeting these definitions are reported as non-operating.

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).

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

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

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

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	$ 1,876,245
Adjustments, increase (decrease)	
Revenue accruals	1,261,166
Expenditures accruals	(1,872,947)
Encumbrances	(719,347)
Fund budgeted separately	(421,548)
Budgetary basis	$ 123,569

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION/FUND BALANCE

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The implementation of this Statement did not have an effect on the financial statements of the City.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the City’s 2020 financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 84, *Fiduciary Activities.* This Statement established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. The City reviewed its fiduciary funds and certain funds will be reported in the new fiduciary fund classification of custodial funds while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of beginning net position for custodial funds, in the amount of $19,636.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION/FUND BALANCE (CONTINUED)

GASB Statement No. 84 had the following effect on the beginning net position and fund balances.

	Governmental Activities
Net Position December 31, 2019	$ (4,309,678)
Adjustments:	
GASB Statement No. 84	307,588
Restated Net Position December 31, 2019	$ (4,002,090)

	General Fund	General Bond Retirement	Capital Prjoects	Other Governmental Funds	Total Governmental Funds
Fund Balance December 31, 2019	$ 258,338	$ 112,094	$ 626,024	$ 176,335	$ 1,172,791
Adjustments:					
GASB Statement No. 84	307,588	-	-	-	307,588
Restated Fund Balance December 31, 2019	$ 565,926	$ 112,094	$ 626,024	$ 176,335	$ 1,480,379

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

At December 31, 2020, the Police Disability and Pension Fund a had deficit fund balances of $744. This deficit fund balance is the result of adjustments for accrued liabilities in the fund. The General Fund is liable for any deficit in these funds and provides transfers when cash is needed, not when accruals occur.

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, General Government line item in the amount of $413,555.

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	$ 35,995	$ -	$ -	$ -	$ 35,995
Inventories	-	-	-	58,624	58,624
Interfund Balances	55,612		-	-	55,612
Total Nonspendable	91,607	-	-	58,624	150,231
Restricted for					
Capital Improvements	-	-	144,350	90,946	235,296
Road Improvements	-	-	-	53,594	53,594
Public Safety	-	-	-	24,325	24,325
Highway and Streets	-	-	-	11,111	11,111
Recreation	-	-	-	120,598	120,598
Debt Service Payments	-	269,464	-	-	269,464
Other Purposes	159	-	-	34,197	34,356
Total Restricted	159	269,464	144,350	334,771	748,744
Assigned to					
Purchases on Order	427,212				427,212
Other Purposes	48,496	-	-	-	48,496
Total Assigned	475,708	-	-	-	475,708
Unassigned (Deficit)	1,874,697	-	-	(2,293)	1,872,404
Total Fund Balances	$ 2,442,171	$ 269,464	$ 144,350	$ 391,102	$ 3,247,087

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, 2020, the carrying amount of the City's deposits was $4,066,702. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2020, $1,007,676 of the City's bank balance of $4,360,582 was covered by Federal Depository Insurance and $2,354,031 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 $998,875 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, 2020.

C. INVESTMENTS

As of December 31, 2020, the City had the following investments.

	Measurement Value
Investment in STAR Ohio	$ 902,731

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, 2020, 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, 2020 was 100 percent invested in STAR Ohio.

NOTE 7 – RECEIVABLES

Receivables at December 31, 2020, 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, 2020.

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 2020 for real and public utility property taxes represents collections of the 2019 taxes.

The 2020 real property taxes are levied after October 1, 2020, on the assessed value as of January 1, 2020, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2020 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. 2020 public utility property taxes became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2020 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2020, was $10.00 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2020 property tax receipts were based are as follows:

Real property - 2020	
Residential/agricultural	$ 256,025,890
Other real estate	74,838,800
Tangible personal property-2020	
Public utilities	8,020,970
Total valuation	$ 338,885,660

Property tax receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2020 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 2019 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. INTERGOVERNMENTAL RECEIVABLES

A summary of Intergovernmental Receivables follows:

Homestead and rollback	$	214,619
Gasoline tax		442,831
Grants		248,640
Local government		342,207
Motor vehicle		62,722
Permissive		8,764
Bureau of Workers Comp		23,479
Parma Heights Mayors Court		9,768
Miscellaneous		8,395
	$	1,361,425

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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance 12/31/2019	Additions	Deletions	Balance 12/30/2020
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 1,421,777	$ -	$ -	$ 1,421,777
Construction in Progress	59,405	20,881	-	80,286
Total Capital Assets Not Being Depreciated	1,481,182	20,881	-	1,502,063
Capital Assets Being Depreciated				
Buildings and Improvements	11,630,891	-	-	11,630,891
Machinery, equipment and vehicles	7,915,645	191,138	(181,992)	7,924,791
Infrastructure	81,444,726	-	-	81,444,726
Total Capital Assets Being Depreciated	100,991,262	191,138	(181,992)	101,000,408
Total Capital Assets at Cost	102,472,444	212,019	(181,992)	102,502,471
Less Accumulated Depreciation:				
Buildings and Improvements	(8,822,981)	(171,988)	-	(8,994,969)
Machinery, equipment and vehicles	(6,163,811)	(324,152)	169,097	(6,318,866)
Infrastructure	(67,924,574)	(1,179,045)	-	(69,103,619)
Total Accumulated Depreciation	(82,911,366)	(1,675,185) *	169,097	(84,417,454)
Total Capital Assets Being Depreciated, Net	18,079,896	(1,484,047)	(12,895)	16,582,954
Total Governmental Activities Capital Asset, Net	$ 19,561,078	$ (1,463,166)	$ (12,895)	$ 18,085,017

*Depreciation expense was charged to governmental functions as follows:

General Government	$ 42,215
Security of Persons and Property	204,250
Transportation	737,861
Basic Utility Services	608,624
Public Health and Welfare	6,212
Leisure Time Activities	76,023
Total Depreciation Expense	$ 1,675,185

NOTE 9 – NOTE PAYABLES

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

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020
Bond Anticipation Notes				
Various Purpose Notes, Series 2019-1				
maturity 4-9-20, 2.50%	$ 245,000	$ -	$ 245,000	$ -
Total Bond Anticipation Notes	$ 245,000	$ -	$ 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	2020	2021	2.625%	$1,545,000
Various purpose notes	2020	2021	2.625%	1,650,000
General obligation bonds				
Refunding recreation facility improvements	2012	2021	3.050%	1,730,000
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 2020 were as follows:

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020	Amount Due In One Year
Bond Anticipation Notes:					
Various Purpose Notes, Series 2019-1 maturity 4-9-20, 2.50%	$ 1,545,000	$ -	$ 1,545,000	$ -	$ -
Various Purpose Notes, Series 2019-2 maturity 4-9-20, 2.50%	1,650,000	-	1,650,000	-	-
Various Purpose Notes, Series 2020-1 maturity 4-8-21, 2.625%	-	1,545,000	-	1,545,000	1,545,000
Various Purpose Notes, Series 2020-2 maturity 4-8-21, 2.625%	-	1,650,000	-	1,650,000	1,650,000
Notes Premium	6,330	11,694	15,101	2,923	-
Total Bond Anticipation Notes	3,201,330	3,206,694	3,210,101	3,197,923	3,195,000
General Obligation Bonds:					
Refunding Recreational Facilities Improvement	440,000	-	217,000	223,000	223,000
Total General Obligation Bonds	440,000	-	217,000	223,000	223,000
Ohio Public Works Commission Loans - Direct Borrowings:					
Concrete street reconstruction	46,041	-	27,624	18,417	18,417
Concrete street reconstruction	27,778	-	13,890	13,888	9,259
Total Ohio Public Works Commission Loans	73,819	-	41,514	32,305	27,676
Net Pension Liability					
OPERS	5,952,228	-	1,874,964	4,077,264	-
OP&F	19,282,038	-	4,479,388	14,802,650	-
Total Net Pension Liability	25,234,266	-	6,354,352	18,879,914	-
Total OPEB Liability					
OPERS	2,672,586	56,921	-	2,729,507	-
OP&F	2,156,749	13,753	-	2,170,502	-
Total Net OPEB Liability	4,829,335	70,674	-	4,900,009	-
Capital Lease Obligations	257,364	-	111,332	146,032	86,163
Compensated Absences	1,175,034	252,571	129,686	1,297,919	57,490
Total Long-Term Liabilities	$ 35,211,148	$ 3,529,939	$ 10,063,985	$ 28,677,102	$ 3,589,329

NOTE 10 – LONG-TERM DEBT (CONTINUED)

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 proceeds of the BANS were used to pay down the 2019 various purpose BANs.

The City's total direct borrowings from OPWC contain a provision that in an event of default the amount of such default shall bear interest thereafter at the rate of 8 percent per annum until the date of payment, and outstanding amounts become immediately due. Also, OPWC may direct the county treasurer to pay the outstanding amount from the portion of the local government fund that would otherwise be remitted to the City.

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, 2020, $220,000 of bonds outstanding are considered to be defeased.

Debt service requirements outstanding at December 31, 2020 consisted of:

	General Obligation Bond		OPWC Loans	Total	
Year	Principal	Interest	Principal	Principal	Interest
2021	$ 223,000	$ 54,367	$ 27,676	$ 250,676	$ 54,367
2022	-	-	4,629	4,629	-
	$ 223,000	$ 54,367	$ 32,305	$ 255,305	$ 54,367

NOTE 11 – CAPITAL LEASE

In prior years the City entered into lease agreements for the purchase of police vehicles, a street sweeper, and a rescue squad. 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, 2020, assets under capital lease totaled $547,999 with related accumulated depreciation of $191,800. The leases are in effect through 2022. The leases are secured by the related property. In the event of a default the lender may require the City, at the City's cost, to promptly deliver possession of the collateral to the lender, and may recover all expenses and collection costs which the lender has incurred.

NOTE 11 – CAPITAL LEASE (CONTINUED)

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, 2020.

Year	Total
2021	$ 89,633
2022	61,425
Total	151,058
Interest	(5,026)
	$ 146,032

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.

The General fund transferred $1,783,000 to other governmental funds to help finance the various programs accounted for in other funds.

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' Comprehensive Annual Financial Report 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. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of the annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. 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.

A death benefit of $500 - $2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Tradition pension plan and the Combined Plan.

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of OPERS contributing members hired in 2022 and beyond. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers. It also will help OPERS address expected investment market volatility and adjust to the lack of available funding for health care.

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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.

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

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2020 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 $319,462 for 2020. Of this amount, $31,592 is reported as intergovernmental payable.

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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.

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

	Police	Firefighters
2020 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2020 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 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $1,038,153 for 2020. Of this amount $84,705 is reported as intergovernmental payable.

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, 2019, 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, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. 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	0.021733%	0.2362230%	
Proportion of the Net Pension Liability Current Measurement Date	0.020628%	0.2197369%	
Change in Proportionate Share	-0.001105%	-0.0164861%	
Proportionate Share of the Net Pension Liability	$ 4,077,264	$ 14,802,650	$ 18,879,914
Pension Expense	$ 446,304	$ 1,542,292	$ 1,988,596

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, 2020, 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			
Differences between expected and actual experience	$ -	$ 560,327	$ 560,327
Changes of assumptions	217,774	363,367	581,141
Changes in proportion and differences between City contributions and proportionate share of contributions	-	9,476	9,476
City contributions subsequent to the measurement date	319,462	1,038,153	1,357,615
Total Deferred Outflows of Resources	$ 537,236	$ 1,971,323	$ 2,508,559
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 813,323	$ 715,084	$ 1,528,407
Differences between expected and actual experience	51,550	763,431	814,981
Changes in proportion and differences between City contributions and proportionate share of contributions	291,179	1,314,915	1,606,094
Total Deferred Inflows of Resources	$ 1,156,052	$ 2,793,430	$ 3,949,482

$1,357,615 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, 2021. 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:			
2021	$ (334,194)	$ (504,887)	$ (839,081)
2022	(314,822)	(370,148)	(684,970)
2023	33,679	18,824	52,503
2024	(322,941)	(861,615)	(1,184,556)
2025	-	(142,434)	(142,434)
Total	$ (938,278)	$ (1,860,260)	$ (2,798,538)

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, 2019, 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; 1.40 percent, simple through 2020, 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 gain of 17.23 percent for 2019.

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	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

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	$ 6,724,728	$ 4,077,264	$ 1,697,272

Changes Between Measurement Date and Report Date Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

F. ACTUARIAL ASSUMPTIONS – OP&F

OP&F's total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019, 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, 2019, are presented below:

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
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 December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return 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, 2019 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 %	0.10 %	1.00 %
Domestic Equity	16.00	3.90	5.40
International Equity	16.00	4.70	5.80
Core Fixed Income *	23.00	1.10	2.70
U.S. Inflation Linked Bonds *	17.00	0.40	2.50
High Yield Fixed Income	7.00	2.50	4.70
Private Real Estate	12.00	5.40	6.40
Private Markets	8.00	6.10	8.00
Midstream Energy Infrastructure	8.00	5.80	6.60
Private Credit	5.00	4.80	5.50
Real Assets	8.00	6.90	7.40
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	$ 20,515,958	$ 14,802,650	$ 10,024,034

Changes Between Measurement Date and Report Date 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 may impact subsequent periods of OP&F, including the fair value of OP&F's investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on the OP&F's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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.

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

A. NET OPEB LIABILITY (CONTINUED)

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.

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' Comprehensive Annual Financial Report 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.

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. 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 2020 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 $1,392 for 2020.

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) a cost-sharing, multiple-employer defined post-employment healthcare plan that provides various levels of health care to retired, disabled and beneficiaries, as well as their dependents. On January 1, 2019, OP&F changed the way it supports retiree health care. A stipend-based health care model has replaced the self-insured group health care plan that had been in place. A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used_to reimburse retirees for qualified health care expenses. As a result of this change, it is expected that the solvency of the Health Care Stabilization Fund (HCSF) will be extended allowing OP&F to provide stipends to eligible participants.

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.

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 2020, 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 City's contractually required contribution to OP&F was $24,635 for 2020.

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, 2018, rolled forward to the measurement date of December 31, 2019, 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, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2019. 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	0.020499%	0.2368353%	
Proportion of the Net OPEB Liability Current Measurement Date	0.019761%	0.2197369%	
Change in Proportionate Share	-0.000738%	-0.0170985%	
Proportionate Share of the Net OPEB Liability	$ 2,729,507	$ 2,170,502	$ 4,900,009
OPEB Expense	$ 178,870	$ 160,986	$ 339,856

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, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 74	$ -	$ 74
Changes of assumptions	432,052	1,268,960	1,701,012
City contributions subsequent to the measurement date	1,392	24,635	26,027
Total Deferred Outflows of Resources	$ 433,518	$ 1,293,595	$ 1,727,113
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 249,625	$ 233,417	$ 483,042
Changes of assumptions	-	462,567	462,567
Net difference between projected and actual earnings on OPEB plan investments	138,986	99,877	238,863
Changes in proportion and differences between City contributions and proportionate share of contributions	156,290	321,590	477,880
Total Deferred Inflows of Resources	$ 544,901	$ 1,117,451	$ 1,662,352

$26,027 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 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2021	$ (59,706)	$ 24,495	$ (35,211)
2022	6,212	24,496	30,708
2023	109	44,984	45,093
2024	(59,390)	12,684	(46,706)
2025	-	24,917	24,917
Thereafter	-	19,933	19,933
Total	$ (112,775)	$ 151,509	$ 38,734

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, 2018, rolled forward to the measurement date of December 31, 2019. 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	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.75 percent
Health Care Cost Trend Rate	10.5 percent, initial 3.25 percent, ultimate in 2030
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 2019, 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 7.59 percent for 2019.

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 2019 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	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

E. ACTUARIAL ASSUMPTIONS – OPERS (CONTINUED)

Discount Rate - A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. 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 2.75 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, 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 3.16 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 (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	$3,571,998	$2,729,507	$2,054,946

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 2020 is 10.50 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 3.50 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	$2,648,962	$2,729,507	$2,809,026

Changes between Measurement Date and Report Date Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

F. ACTUARIAL ASSUMPTIONS – OP&F

OP&F's total OPEB liability as of December 31, 2019, 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.

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

G. ACTUARIAL ASSUMPTIONS – OP&F (CONTINUED)

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

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

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
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	3.56 percent
Prior measurement date	4.66 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, 2019, 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 %	0.10 %	1.00 %
Domestic Equity	16.00	3.90	5.40
Non-US Equity	16.00	4.70	5.80
Core Fixed Income *	23.00	1.10	2.70
U.S. Inflation Linked Bonds *	17.00	0.40	2.50
High Yield Fixed Income	7.00	2.50	4.70
Real Estate	12.00	6.90	7.40
Private Markets	8.00	6.10	8.00
Master Limited Partnerships	8.00	5.80	6.60
Private Credit	5.00	4.80	5.50
Real Assets	8.00	6.90	7.40
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.

Discount Rate The total OPEB liability was calculated using the discount rate of 3.56 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.

NOTE 14 – POST-EMPLOYMENT BENEFITS (CONTINUED)

F. ACTUARIAL ASSUMPTIONS – OP&F (CONTINUED)

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 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 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 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 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 (2.56 percent), or one percentage point higher (4.56 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	$2,691,282	$2,170,502	$1,737,769

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.

Changes Between Measurement Date and Report Date 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 continuing emergency measures may impact subsequent periods of OP&F, including the fair value of OP&F's investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on the OP&F's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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 240 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, 31360 Solon Rd., Suite 33, Solon, Ohio 44139.

NOTE 16 – CONTINGENCIES

For the year ended December 31, 2020, 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 $427,212 for the general fund and $846,103 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 2020 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, 2020 and 2019 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.

	2020	2019
Unpaid claims, beginning of year	$ 77,586	$ 168,891
Incurred claims	1,150,094	1,936,654
Claim payments	(1,099,541)	(2,027,959)
Unpaid claims, end of year	$ 128,139	$ 77,586

In 2014, the City began its participation in the State Workers' Compensation retrospective rating and payment system. Once the City receives notice of the 2014 claims paid by the Bureau of Workers' Compensation, the City will reimburse the State for claims paid on the City's behalf. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured in 2014 for up to ten years after the claim year. The maintenance of these benefits will be funded through General Fund transfers to the various funds that experienced the loss. Total claims of $46,078 have been accrued as a liability at December 31, 2020, based on an estimate provided by Comp Management, Inc., the City's third party administrator.

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.

NOTE 19 – TAX ABATEMENT (Continued)

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.

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 2020, 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 $54 during 2020.

NOTE 20 – COVID-19

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 continuing emergency measures will impact subsequent periods of the City. The investments of the pension and other employee benefit plan in which the City participates fluctuate with market conditions, and due to market volatility, the amounts of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 21 – SUBSEQUENT EVENT

On April 6, 2021, the City issued $3,210,000 Various Purpose Improvement Bonds, Series 2021. The Bonds will mature on December 1, 2035 and have a 2.270% interest rate.

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 PUBLIC EMPLOYEES RETIREMENT SYSTEM-TRADITIONAL PLAN
LAST SEVEN YEARS (1)

Traditional Plan	**2020**	**2019**	**2018**	**2017**
City's Proportion of the Net Pension Liability	0.020628%	0.021733%	0.024437%	0.023476%
City's Proportionate Share of the Net Pension Liability	$ 4,077,264	$ 5,952,228	$ 3,833,692	$ 5,331,000
City's Covered Payroll	$ 2,903,557	$ 3,013,943	$ 3,330,708	$ 3,053,267
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.42%	197.49%	115.10%	174.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%

(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

2016		2015		2014	
	0.026022%		0.028582%		0.028582%
$	4,460,101	$	3,445,913	$	3,369,065
$	3,234,100	$	3,554,250	$	3,770,638
	137.91%		96.95%		89.35%
	81.08%		86.45%		86.36%

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 SEVEN YEARS (1)

	2020	2019	2018	2017
City's Proportion of the Net Pension Liability	0.219737%	0.241614%	0.242567%	0.242392%
City's Proportionate Share of the Net Pension Liability	$ 14,802,650	$ 19,282,038	$ 14,887,432	$ 15,352,866
City's Covered Payroll	$ 5,810,358	$ 5,911,389	$ 5,993,768	$ 5,808,484
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	254.76%	326.18%	248.38%	264.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%	68.36%

(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

2016	2015	2014
0.249079%	0.255863%	0.255863%
$ 16,023,427	$ 13,254,770	$ 12,461,331
$ 5,636,942	$ 5,627,342	$ 5,779,650
284.26%	235.54%	215.61%
66.77%	71.71%	73.00%

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	2020	2019	2018	2017
Contractually Required Contributions	$ 319,462	$ 406,498	$ 421,952	$ 432,992
Contributions in Relation to the Contractually Required Contribution	(319,462)	(406,498)	(421,952)	(432,992)
Contribution Deficiency / (Excess)	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 2,281,871	$ 2,903,557	$ 3,013,943	$ 3,330,708
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	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

2016	2015	2014	2013
$ 366,392	$ 388,092	$ 426,510	$ 490,183
(366,392)	(388,092)	(426,510)	(490,183)
$ -	$ -	$ -	$ -
$ 3,053,267	$ 3,234,100	$ 3,554,250	$ 3,770,638
12.00%	12.00%	12.00%	13.00%

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	2020	2019	2018	2017
Contractually Required Contributions	$ 1,038,153	$ 1,103,968	$ 1,123,164	$ 1,138,816
Contributions in Relation to the Contractually Required Contribution	(1,038,153)	(1,103,968)	(1,123,164)	(1,138,816)
Contribution Deficiency / (Excess)	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 4,926,991	$ 5,810,358	$ 5,911,389	$ 5,993,768
Contributions as a Percentage of Covered-Employee Payroll	21.07%	19.00%	19.00%	19.00%

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011
$ 1,103,612	$ 1,071,019	$ 1,069,195	$ 909,139	$ 771,295	$ 758,916
(1,103,612)	(1,071,019)	(1,069,195)	(909,139)	(771,295)	(758,916)
$ -	$ -	$ -	$ -	$ -	$ -
$ 5,808,484	$ 5,636,942	$ 5,627,342	$ 5,779,650	$ 6,049,373	$ 5,952,282
19.00%	19.00%	19.00%	15.73%	12.75%	12.75%

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 FOUR YEARS (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.019761%	0.020499%	0.023110%	0.023110%
City's Proportionate Share of the Net OPEB Liability	$ 2,729,507	$ 2,672,586	$ 2,509,576	$ 2,334,188
City's Covered Payroll	$ 2,903,557	$ 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	94.01%	88.67%	75.35%	76.45%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	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 FOUR YEARS (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.2197369%	0.2368353%	0.2425670%	0.2423920%
City's Proportionate Share of the Net OPEB Liability	$ 2,170,502	$ 2,156,749	$ 13,743,506	$ 11,505,803
City's Covered Payroll	$ 5,810,358	$ 5,911,389	$ 5,993,768	$ 5,808,484
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	37.36%	36.48%	229.30%	198.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.08%	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 EMPLOYEESRETIREMENT SYSTEM-TRADITIONAL PLAN
LAST FIVE YEARS (1)

	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 1,392	$ 1,288	$ -	$ 33,294	$ 59,382
Contributions in Relation to the Contractually Required Contribution	(1,392)	(1,288)	-	(33,294)	(59,382)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City Covered Payroll	$ 2,387,115	$ 2,903,557	$ 3,013,946	$ 3,330,708	$ 3,053,267
Contributions as a Percentage of Covered Payroll	0.06%	0.04%	0.00%	1.00%	1.94%

(1) Information prior to 2015 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)

	2020	2019	2018	2017
Contractually Required Contribution	$ 24,635	$ 26,088	$ 26,505	$ 26,350
Contributions in Relation to the Contractually Required Contribution	(24,635)	(26,088)	(26,505)	(26,350)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City Covered Payroll	$ 4,926,991	$ 5,810,358	$ 5,911,389	$ 5,993,768
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

See accompanying notes to the required supplementary information

2016		2015		2014		2013		2012		2011	
$	26,352	$	25,617	$	26,405	$	29,891	$	23,515	$	23,031
	(26,352)		(25,617)		(26,405)		(29,891)		(23,515)		(23,031)
$	-	$	-	$	-	$	-	$	-	$	-
$	5,808,484	$	5,636,942	$	5,627,342	$	5,779,650	$	6,049,373	$	5,952,282
	0.50%		0.50%		0.50%		3.62%		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 2014-2020.

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%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2020.

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 2019, 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%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%.

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 2014-2020.

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 2019-2020, 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 and 2020. 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. For 2020, the single discount rate changed from 4.66 to 3.56.

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City of Parma Heights
Cuyahoga County, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor/ *Pass-Through Grantor/* Program Title	Federal CFDA Number	Pass-through Entity Identification Number	Total Federal Expenditures
U.S. Department of the Treasury			
Passed through Ohio Office of Budget and Management			
Coronavirus Relief Fund	21.019	HB481-CRF-Local	$ 1,649,509
Passed through Ohio Department of Aging			
Coronavirus Relief Fund	21.019		25,000
Total U.S. Department of the Treasury			**$ 1,674,509**
U.S. Department of Homeland Security			
Assistance to Firefighters Grant	97.044		2,846
Total U.S. Department of Homeland Security			**$ 2,846**
U.S.Department of Health and Human Services			
Passed Through Western Reserve Area Agency on Aging			
Special Programs for the Aging, Title III, Part B	93.044		3,628
Special Programs for the Aging, Title III, Part C	93.045		12,772
Total U.S. Department of Health and Human Services			**$ 16,400**
U.S. Department of Justice			
Passed Through Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-JG-A02-6707F	7,851
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-JG-A02-6707	39,705
Bulletproof Vest Partnership Program	16.607		505
Total U.S. Department of Justice			**$ 48,061**
Total Expenditures of Federal Awards			**$ 1,741,816**

CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Parma Heights, Ohio, under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Parma Heights, Ohio, it is not intended to and does not present the financial position, or cash flows of the City of Parma Heights, Ohio.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

The City of Parma Heights, Ohio, has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

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, Ohio 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 28, 2022, wherein we noted we were unable to obtain sufficient appropriate evidence to opine on the governmental activities' compensated absences balance reported in long-term liabilities due within one year and due in more than year. We also 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial 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*.

City's Response to Finding

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

September 28, 2022

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

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

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Parma Heights' (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Parma Heights' major federal program for the year ended December 31, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the City of Parma Heights complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

September 28, 2022

CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Qualified for governmental activities; Unmodified for all other opinion units
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	AL #21.019 – Coronavirus Relief Fund
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020

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

1. **Payroll Deficiencies**

FINDING NUMBER 2020-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

GASB Cod. C60.103 indicates a liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee should be accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those services are rendered or those events take place.

Sound accounting practices require public officials to design and operate a system of internal controls that are able to provide reasonable assurance over the reliability of financial transactions. Internal controls over the payroll disbursement function should include, but not be limited to, the following:

- Policies or procedures to address payroll advances, including when it's appropriate to advance funds, along with including a formal approval process;
- An employee's position and authorized rate of pay should be documented in their personnel file;
- Policies and procedures to accurately track sick, vacation and other leave earned and used.

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.

Due to inadequate controls over the payroll cycle, the following deficiencies were noted:

- Six employees received payroll advances amounting to $11,537, with no formal documentation kept and no approvals in place. In addition, there was no documented reconciliation between amounts previously advanced and monies paid back to the City;

- None of the 21 employees tested had specific pay rates documented in their personnel file. While the rates fell within the Council-approved pay ranges, there was no means to determine the exact agreed-upon pay for individual employees;

- Employee leave balances recalculated for termination payouts and compensated absences balances were 447 hours less than reported in the City's accounting records for 11 of 13 employees reviewed. Additionally, leave balances recalculated were 124 hours in excess of the City leave accrual policies for 10 of 13 employees reviewed;

- City departmental supervisors submit timesheet information including leave taken for the pay period to the City finance department for payroll processing; however, leave balances were not tracked by the City finance department.

Due to these weaknesses we were unable to satisfy ourselves of the City's accumulated leave balances used to calculate its estimated liability for compensated absences, reported within Governmental Activities due in with more than one year, and due within one year liabilities in the amounts of $1,240,489 and $57,490, respectively, were fairly stated in all material respects pursuant to the aforementioned GASB requirements.

Additionally, these weaknesses could result in the City making improper payroll payments, either during bi-weekly payroll distributions or at termination and could lead to findings for recovery. Failure to properly record and monitor leave accrued and used by employees leads to an increased risk that employees may be compensated for leave balances they do not have, and could result in misstatements to the financial statements.

In order to improve controls and oversight over the payroll cycle, the City should consider the following:

- Creation of a formal policy that identifies in which case a payroll advance is appropriate, and if so, the actions to be taken. In addition, the City should implement controls that would prevent payroll advances from occurring without approval and proper documentation should be kept on file;

- Council should approve individual employee pay rates and appropriate documentation and approval of pay rates should be maintained in the employees' personnel file;

- The City and its departments should implement procedures to review employees' leave accruals and usage to ensure accuracy of the reported information. Additionally, departments should ensure that all leave is formally approved for each employee by his or her supervisor prior to taking leave.

- Leave tracking spreadsheets should be maintained in a format that shows an employee's current leave balance subsequent to each pay period. This will help ensure sick and vacation leave balance, usage and accrual errors are detected and corrected in a timely manner.

Since the City's accumulated leave balance accounting records are disorganized, we recommend the City seek the assistance from an outside accounting/consulting firm to reconstruct its leave records and recalculate all recent leave severance payments to ensure there were properly calculated pursuant to the City's policies. This should go as far back as appropriate and reasonable to identify and discover errors that contributed to the over/understated leave balances where applicable as well as over/under calculated severance payments. Resulting overpayments to any employees discovered during this process may be subject to future findings for recovery being issued by the Auditor of State's Office.

Official's Response:

In regards to the calculation of compensated absences, my department worked off of the information that had been left by the previous department heads. There was not a clear procedure in place for how finance had been tracking time, and because the pay periods were not adjusted until mid-2020, often employees were paid for regular hours that did not include sick, vacation, holiday, because they were paid to date. This involved then going back to make adjustments after each payroll.

I have no issues with the accuracy of accruals in the police, service and fire departments; they have all been tracked appropriately. However, nonaligned employees were not tracked as accurately. It seemed that everyone had their own process for tracking their time, or an agreement in place that allowed for exceptions. Many of the employees in question had been with the City for ten or more years, and had been used to operating under the previous director. At this time, nearly all of those employees have since retired, either in 2020 or 2021. Under no circumstance do I believe anyone was paid incorrectly, my department used the information we had to the best of our ability.

Regarding the term 'payroll advances': this issue has since been corrected. The former payroll administrator used that code in several situations where the coding should have been a 'manual check', this is the practice currently.

There is an employee notice form used when each employee is hired, and when a change of pay or status occurs. This was put into effect mid-2020 and is now standard practice. The form is signed by the Finance Director and the Mayor, and if applicable the employee's supervisor.

All non-aligned employees are currently being tracked within our payroll system, Ahola. The automation of the process allows to be more efficient, and employees are able to see their current balances. All employees that had disorganized records have since resigned or retired. Those are the individuals referenced above that had been under the previous administration(s).

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

CITY OF Parma Heights

COMMUNITY GROWS HERE

MAYOR MARIE GALLO

FINANCE DEPARTMENT
KATIE IACONIS, DIRECTOR OF FINANCE AND HUMAN RESOURCES
6281 Pearl Road
Parma Heights, OH 44130
440.340.4821
kiaconis@parmaheights.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	The City had various deficiencies over the payroll cycle.	Not Corrected	Repeated as 2020-001
2019-002	Underlying receipt documentation was not maintained for various receipts.	Corrected	

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MAYOR MARIE GALLO

FINANCE DEPARTMENT
KATIE IACONIS, DIRECTOR OF FINANCE AND HUMAN RESOURCES
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CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2020

Finding Number: 2020-001
Planned Corrective Action:

- The process for tracking accruals has been accurate in the Police, Fire and Service departments; in 2021 Fire and Service transitioned to the same software program that has been used in the Police Department for many years. The programs are built specifically for each department, and follows the accrual rates in each CBA. This allows for proper tracking of compensated absences and the accrual balances update as time is taken.
- All leave accruals for non-aligned employees are now being tracked in Ahola, our payroll system. The finance department worked directly with Ahola to incorporate the accrual rates based on years of service, and balances are updated each payroll. Because we have many new employees, we are now starting with a clean slate and accurate accrual balances. This is also tracked in a spreadsheet as well.
- The employees that were the most ‘disorganized’ have all since retired, or left employment with the city. Before calculating any pay out amounts, we rebuilt each payroll going back several years in order to come up with totals that were reasonable accurate.
- The use of the code ‘advance’ in the payroll system is no longer being utilized. The correct code is a ‘manual check’.
- Pay rates and/or position changes are tracked on an Employee Status form; this started in late 2020, and is now the regular practice. The Status form is approved by the Mayor, Finance Director, and supervisor, if applicable.
- A goal for 2022 into 2023 is the review of Ordinances specific to employees, which needs a major overhaul/cleanup. And a review and overhaul of the employee manual.

Anticipated Completion Date: Complete
Responsible Contact Person: Katie Iaconis

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 11/10/2022

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