

City of Parma Heights, Ohio

Various Purpose (General Obligation - Limited Tax) Bond Anticipation Notes, Series 2026

Please find herein a report prepared by the Ohio Municipal Advisory Council (OMAC) as well as the City of Parma Heights, Ohio's 2022 audited financial statement. These items are informational and do not constitute a disclosure document. If you would like more information, please contact Michelle Hillstrom at Stifel or Vic Nogalo in the Finance Department at the City.



Ohio Municipal Advisory Council

Not an agency of the State of Ohio

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PARMA HEIGHTS CITY, OHIO
(Cuyahoga County)
Federal Identification Number – 34-6002164

Revised Report No. N67-26
Date – April 23, 2026
OMAC Fee: \$1,793.75
Rating: S&P's OMAP*: SP-1+
***Credit Enhancement: Ohio Market Access Program#**

\$7,175,000	Various Purpose (general obligation limited tax)	Dated	June 23, 2026
	Bond Anticipation Notes, Series 2026	Due	June 22, 2027
Coupon:	Yield:	Price:	

Fiscal Officer Robert Satow, Director of Finance
6281 Pearl Road
Parma Heights, OH 44130
Telephone No. 440-884-9600

Purchaser – Stifel, Nicolaus & Company, Inc.
Opinion – Bricker & Graydon Wyatt LLP
Attorney – Catherine Swartz
Paying Agent – Argent Institutional Trust Company

Denominations – \$100,000 minimum with \$5,000 thereafter.

Book Entry – Yes.
Bank Qualified – Yes.

Purpose – To retire Notes due 6/24/26 in addition to a new money portion. The refunding portion, totaling \$4,575,000 in par will go towards refunding outstanding notes of the City which were issued for projects such as fire truck acquisitions, fire equipment acquisitions, roof repairs, street improvements, street vehicles, and street resurfacing. The new money portion, totaling \$2,600,000 in par, address vehicle acquisitions for the police and fire departments, building improvements at the fire station and various infrastructure improvement projects.

Security – Payable from general limited taxes. **The Issuer anticipates the Notes will be retired at maturity from proceeds from the sale of the long-term bonds in anticipation of which the Notes are issued, proceeds from the sale of renewal bond anticipation notes and other available funds of the Issuer, or a combination of such sources. The ability of the Issuer to retire the Notes from the proceeds of the sale of either renewal notes or bonds will be dependent on the marketability of such notes or bonds under market conditions prevailing at the time they are offered for sale, which are subject to change due to factors beyond the control of the Issuer.**

Ohio Market Access Program – Note Wrap

The Treasurer of the State of Ohio ("Treasurer of State") has approved the Issuer's application for the inclusion of the Notes in the Treasurer of State's Market Access Program – Note Wrap (the "Program").

Upon the issuance of the Notes, the Issuer will enter into a Standby Note Purchase Agreement ("Agreement") with the Treasurer of State and the paying agent for the Notes. In the event the Issuer fails to cause adequate funds for the payment at maturity of principal and interest on the Notes, the Agreement requires the Treasurer of State, under authority of Section 135.143 of the Ohio Revised Code, to (a) purchase renewal notes ("Renewal Notes") of the Issuer, the proceeds of which will be applied to the payment of the Notes or (b) purchase the Notes from the holder thereof. The Agreement will be irrevocable as long as the Notes are outstanding. Solely on the basis of the Agreement, the Issuer anticipates that Standard & Poor's Ratings Service will assign a rating of "SP-1 +" to the Notes upon their issuance.

The obligations of the Treasurer of State under the Agreement will be satisfied by the application of interim funds of the State to purchase the Notes or the Renewal Notes, as the case may be, in accordance with the Agreement. The Treasurer of State has agreed to make its interim funds available for such purpose and to have not more than \$750 million in outstanding commitments with other issuers under the Program.

The Issuer's participation in the Program is solely for the purpose of enhancing the rating on the marketability of the Notes, and should not indicate any expectation that the Program will be called upon to perform any obligation of the Issuer with respect to the Notes or the purposes for which the Note was issued.

Information in this Report has been obtained by OMAC from official and other sources and is believed by OMAC to be accurate and reliable. However, OMAC has not independently confirmed or verified the information in this Report and OMAC does not guaranty the accuracy or completeness of such information. This Report does not constitute an offering of, or a recommendation with regard to the purchase of, any security.

LOCATION About 8.5 miles southwest of downtown Cleveland.
Area 4.3 sq. miles.
Transportation US 42 and just off IH 71.
Characteristics Primarily residential, with some commercial property.

SALARIES, BILLS & DEBT SERVICE
 Believed current with no record of deficit financing, default or refunding.

POPULATION

2024 Estimated* -	20,581
2010 Census* -	20,718
2000 Census* -	21,659

MUNICIPAL INCOME TAX *

Year	Rate	Receipts
2022	3.00%	\$ 10,557,760
2021	3.00%	9,250,953
2020	3.00%	8,717,664

Source: * U.S. Census Bureau

* Source: Annual Financial Report

Age Breakdown of Population

GENERAL FUND * ###

Year	Under 18	18 To 64	65 & Over	Median Age	Year Ending	2022	2021	2020
2024*					Beg. Bal 1/1	\$ 681,879	\$ 445,347	\$ 240,500
National	22.0 %	60.8 %	17.2 %	38.9	Receipts	16,212,300	14,458,511	13,329,070
State	22.0 %	59.7 %	18.3 %	39.7	Other Fin Srcs	212,706	719,347	531,278
Subdivision	19.7 %	60.3 %	20.0 %	40.8	Transfers In	800,000	500,000	0
2023*					Expenditures	14,794,391	13,621,326	11,758,501
National	22.2 %	61.0 %	16.8 %	38.7	Transfers Out	2,585,000	1,820,000	1,897,000
State	22.2 %	59.9 %	17.9 %	39.6	End Bal. 12/31	527,494	681,879	445,347
Subdivision	20.0 %	59.8 %	20.2 %	40.7				
2022*								
National	22.1 %	61.4 %	16.5 %	38.5				
State	22.0 %	60.4 %	17.6 %	39.6				
Subdivision	19.1 %	60.1 %	20.8 %	40.1				
2021*								
National	22.5 %	61.5 %	16.0 %	38.4				
State	22.3 %	60.7 %	17.0 %	39.4				
Subdivision	20.4 %	59.7 %	19.9 %	40.7				
2020*								
National	22.4 %	61.6 %	16.0 %	38.2				
State	22.2 %	60.8 %	17.0 %	39.5				
Subdivision	20.8 %	59.0 %	20.2 %	39.7				
2019*								
National	22.6 %	61.8 %	15.6 %	38.1				
State	22.4 %	60.9 %	16.7 %	39.4				
Subdivision	18.4 %	60.7 %	20.9 %	42.7				
2018*								
National	22.8 %	62.0 %	15.2 %	37.9				
State	22.5 %	61.2 %	16.3 %	39.3				
Subdivision	18.4 %	61.3 %	20.3 %	42.1				
2010								
National	24.0 %	63.0 %	13.0 %	37.2				
State	23.7 %	62.2 %	14.1 %	38.8				
Subdivision	18.9 %	60.6 %	20.5 %	43.2				
2000								
National	25.7 %	61.9 %	12.4 %	35.3				
State	25.4 %	61.3 %	13.3 %	36.2				
Subdivision	19.1 %	55.8 %	25.1 %	42.4				

* Non-GAAP

2024 data will be provided as soon as received

Source: Annual Financial Report

* U.S. Census Bureau, American Community Survey 5 yr. estimate

HOUSING AND INCOME

2019-2023 American Community Survey Five Year Estimate *

	<u>Subdivision</u>	<u>County</u>	<u>State</u>	<u>National</u>
Total Housing Units	9,529	615,331	5,292,391	143,775,355
Occupied Housing Units	9,240	554,551	4,863,191	129,227,496
Owner Occupied (as % of Occupied)	57.8%	59.4%	67.2%	65.2%
Median Value of Owner Occupied Homes Estimate	\$175,100	\$195,400	\$214,800	\$332,700
Total Units Built 1939 or Earlier	3.0%	27.8%	19.0%	11.7%
Total Units Built 2020 or Later	0.1%	0.7%	1.2%	2.2%
Median Family Income Estimate	\$82,476	\$89,252	\$92,749	\$99,999
Median Household Income	\$61,009	\$64,468	\$71,389	\$80,734
Per Capita Income Estimate	\$37,555	\$42,747	\$40,552	\$44,673
Poverty Level (% of all people) **	13.9%	16.1%	13.3%	12.5%

* U.S. Census Bureau

** Percentage of people whose income in the past 12 months has been below the poverty level.

OCCUPATIONAL GROUPS *

Cuyahoga County

June, 2025	<u>Subdivision</u>	<u>State</u>
Services	50.5 %	44.6 %
Government	13.7 %	13.6 %
Trade	12.4 %	14.1 %
Manufacturing	9.4 %	12.4 %
Finance	6.8 %	5.5 %
Transportation	5.8 %	5.7 %
Construction	3.5 %	4.8 %
Utilities	0.2 %	0.3 %
Mining	0.1 %	0.2 %
Agriculture	N/R	0.4 %
June, 2024	<u>Subdivision</u>	<u>State</u>
Services	50.9 %	44.3 %
Government	13.4 %	13.6 %
Trade	12.5 %	14.3 %
Manufacturing	9.4 %	12.5 %
Finance	6.7 %	5.6 %
Transportation	5.7 %	5.7 %
Construction	3.4 %	4.6 %
Utilities	0.2 %	0.3 %
Mining	N/R	0.2 %
Agriculture	N/R	0.4 %

"N/R" displayed for statistics not reported.

* Ohio Department of Job and Family Services

UNEMPLOYMENT RATE *

Cuyahoga County

	<u>Subdivision</u>	<u>State</u>	<u>National</u>
December, 2025	3.4 %	4.0 %	4.1 %
December, 2024	3.5 %	4.2 %	3.8 %

* Ohio Department of Job and Family Services

UNEMPLOYMENT CLAIMANTS *

Cuyahoga County

	<u>Initial Claims</u>	<u>Continued Claims</u>
February, 2026	2,539	26,535
February, 2025	2,650	29,038

* Ohio Department of Job and Family Services

LARGEST TAXPAYERS BY VALUATION*

(2025 Collection Year)

Taxpayer Name	Assessed Valuation
Big Creek TIC I LLC & Big Creed TIC II LLC	\$13,456,135
Hickey James A Bishop	\$5,266,800
Columbia Gas Of Ohio Inc	\$4,749,745
Picnic Place Development LLC	\$4,672,815
Cleve Electric Illum	\$4,568,610
Ridgewood Park Apartments LLC	\$4,525,465
Valley York LLC	\$3,628,695
Ranch Village Apartments	\$3,375,085
Fox KM LLC & Fox AM LLC	\$2,694,475
Camelot Apartments LLC	\$2,590,630

* County/Appraisal Company

LARGEST TAXPAYERS BY CURRENT TAXES*

(2025 Collection Year)

Taxpayer Name	Current Taxes
Big Creek TIC I LLC & Big Creed TIC II LLC	\$1,449,632
Columbia Gas Of Ohio Inc	\$511,691
Cleve Electric Illum	\$492,176
Ridgewood Park Apartments LLC	\$487,529
Valley York LLC	\$390,920
American Transmission System	\$203,751
TH Property Owner I LLC	\$21,041
SCF RC Funding IV LLC	\$16,976
Cleveland Electric Ill Co	\$4,088
East Ohio Gas Co	\$1,124

* County/Appraisal Company

PROPERTY TAX RATES *

<u>YEAR</u>	<u>TYPE</u>	<u>DEBT</u>	<u>TOTAL</u>	<u>OVERALL</u>	<u>YEAR</u>	<u>TYPE</u>	<u>DEBT</u>	<u>TOTAL</u>	<u>OVERALL</u>
2024-2025	Stated	1.20	10.00	107.73	2023-2024	Stated	1.20	10.00	107.73
	Res/Ag	1.20	10.00	65.82		Res/Ag	1.20	10.00	75.17
	Other	1.20	10.00	80.49		Other	1.20	10.00	84.66
<u>YEAR</u>	<u>TYPE</u>	<u>DEBT</u>	<u>TOTAL</u>	<u>OVERALL</u>	<u>YEAR</u>	<u>TYPE</u>	<u>DEBT</u>	<u>TOTAL</u>	<u>OVERALL</u>
2022-2023	Stated	1.20	10.00	107.33	2021-2022	Stated	1.20	10.00	110.63
	Res/Ag	1.20	10.00	74.76		Res/Ag	1.20	10.00	77.47
	Other	1.20	10.00	84.46		Other	1.20	10.00	87.45

* State Of Ohio

PROPERTY TAX COLLECTIONS *

	<u>Current Charge</u>	<u>Total Collected</u>	<u>Pct. of Current Charge Collected</u>	<u>Total Unpaid</u>	<u>Unpaid of Current</u>
<u>2024-2025</u>					
RE&PU	\$5,135,170	\$5,052,811	98%	\$244,324	\$182,478
SA	\$1,389,047	\$1,362,884	98%	\$102,386	\$66,572
<u>2023-2024</u>					
RE&PU	\$4,072,801	\$4,151,508	102%	\$154,100	\$78,584
SA	\$1,383,899	\$1,412,141	102%	\$72,852	\$41,656
<u>2022-2023</u>					
RE&PU	\$4,079,493	\$4,088,861	100%	\$208,033	\$113,857
SA	\$1,410,175	\$1,369,058	97%	\$97,108	\$75,110
<u>2021-2022</u>					
RE&PU	\$4,083,100	\$4,008,901	98%	\$203,838	\$142,816
SA	\$868,459	\$861,898	99%	\$54,182	\$35,087
<u>2020-2021</u>					
RE&PU	\$3,408,474	\$3,415,837	100%	\$124,111	\$76,437
SA	\$859,294	\$869,403	101%	\$53,898	\$27,161

* County/Appraisal Company

RE&PU - Real Estate and Public Utility SA - Special Assessment

Previous Percent RE & PU Collected *

<u>Year</u>	<u>Percent</u>	<u>Year</u>	<u>Percent</u>	<u>Year</u>	<u>Percent</u>	<u>Year</u>	<u>Percent</u>
2019-2020	100%	2013-2014	99%	2007-2008	98%	2002-2003	99%
2018-2019	102%	2012-2013	101%	2006-2007	101%	2001-2002	102%
2017-2018	102%	2011-2012	105%	2005-2006	100%	2000-2001	98%
2016-2017	108%	2010-2011	98%	2004-2005	100%	1999-2000	100%
2015-2016	99%	2009-2010	99%	2003-2004	99%	1998-1999	100%
2014-2015	100%	2008-2009	99%				

* County/Appraisal Company

ASSESSED VALUATION *

(Next Reappraisal 2030-2031)

	<u>2024-2025</u>	<u>2023-2024</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>2020-2021</u>
TOTAL	\$513,533,040	\$407,842,850	\$406,615,110	\$406,163,750	\$340,174,690
Real Estate	500,658,220	396,132,970	395,457,380	395,414,700	331,036,550
Public Utility	12,874,820	11,709,880	11,157,730	10,749,050	9,138,140

* State of Ohio

REAL ESTATE ANALYSIS * - 2024-2025

Residential	\$405,104,320	80.91 %	Total Estimated Commercial, Industrial,		
Commercial	95,452,770	19.07	& Public Utility =	\$108,428,720	
Industrial	101,130	0.02	Percent of Total AV	21.1%	
Agricultural	0	0.00	Per Capita AV	Subdivision	Ohio Cities (##)
Mineral	0	0.00		\$24,952	\$31,263
Railroad	0	0.00			
TOTAL	\$500,658,220				

* State of Ohio

- Represents the average Assessed Value Per Capita for Ohio Cities.

DEBT AS OF 6/26/2026 *

	<u>TOTAL</u>	<u>NET DEBT</u>
General Obligation		
<u>Limited Tax</u>		
Notes	\$7,175,000	\$7,175,000
Bonds	\$2,390,000	\$2,390,000
TOTAL DEBT	\$9,565,000	
TOTAL NET DEBT		\$9,565,000

* OMAC

NET and NET OVERLAPPING DEBT AS OF 6/26/2026 **

(Excluding SS/SA Debt)

	<u>Amount</u>	<u>Per Cap</u>	<u>Pct.of AV</u>
Net	\$9,565,000	\$465	1.86%
Net Overlapping*	\$14,066,902	\$683	2.74%

* Includes:

<u>Subdivision</u>	<u>Pct.</u>	<u>Amount</u>
Parma Heights City	100.00%	\$9,565,000
Counties		\$2,976,502
Cuyahoga County	1.16%	\$2,976,502
Miscellaneous		\$1,525,400
Cuyahoga Community College Misc	1.16%	\$1,525,400

** OMAC

ADDITIONAL INFORMATION

<u>Debt Service Fund Balance</u>	
January 1, 2023	\$690,049

COMPARATIVE NET AND NET OVERLAPPING DEBT AS OF JANUARY 1ST *

	-----NET DEBT-----			-----NET OVERLAPPING DEBT-----		
2026	\$ 7,990,000	(\$ 388 /Cap., 1.55 % of AV)	\$ 12,948,652	(\$ 629 /Cap., 2.52 % of AV)		
2025	\$ 6,200,000	(\$ 301 /Cap., 1.21 % of AV)	\$ 10,770,284	(\$ 523 /Cap., 2.10 % of AV)		
2024	\$ 2,805,000	(\$ 136 /Cap., 0.69 % of AV)	\$ 7,549,670	(\$ 367 /Cap., 1.85 % of AV)		
2023	\$ 3,010,000	(\$ 146 /Cap., 0.74 % of AV)	\$ 8,006,990	(\$ 388 /Cap., 1.97 % of AV)		
2022	\$ 6,405,000	(\$ 309 /Cap., 1.58 % of AV)	\$ 11,669,708	(\$ 564 /Cap., 2.87 % of AV)		

* OMAC

DIRECT DEBT LIMITATIONS *

	<u>Total Outstanding</u>	<u>Limited Tax</u>	<u>Ltd. & Unltd Tax</u>
Revenue	\$0	N/A	N/A
Limited Tax	\$9,565,000	\$9,565,000	\$9,565,000
Unlimited Tax	\$0	N/A	\$0
Debt Subject to Limitation		\$9,565,000	\$9,565,000
GO Debt Exempt From Limit.		\$0	\$0
Maximum Allowable		\$28,264,629	\$53,959,747
Balance of Limitation		\$18,699,629	\$44,394,747

* *OMAC****INDIRECT TEN MILL LIMITATIONS ****

Maximum Allowable		10.000
Parma Heights City	1.601	
TOTAL		1.601
Balance Of Limitation		8.399

* *OMAC**OMAC*



**CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2022

**OHIO AUDITOR OF STATE
KEITH FABER**



**CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2022**

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**CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2022**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Summary of Opinions

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

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matter described in the *Basis for Qualified and Unmodified Opinion* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the City as of December 31, 2022, and the changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the City of Parma Heights, Cuyahoga County, Ohio, as of December 31, 2022, and the respective changes in its financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to 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, net position, and expenses of the governmental activities has not been determined.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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

February 14, 2024

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CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022
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, 2022. 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 2022 are as follows:

- Total net position increased by \$4,417,962 or 342.51% in 2022. This was comprised of increases in net investment in capital assets, restricted net position, unrestricted net position of \$1,813,440, \$63,217, and \$2,541,305, respectively.
- Capital assets, net of depreciation, increased by \$1,906,300 or 10.35% in 2022.
- Current and other assets increased by \$480,482 or 2.97% in 2022. The most notable change in current and other assets was an increase in equity in pooled cash and cash equivalents.
- Total liabilities decreased \$1,339,179 or 5.46% in 2022. The majority of this decrease was due to the changes from GASB 68 and GASB 75.

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 2022.

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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022
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These two statements report the City's net position and changes in that position. The changes in position are important because it tells whether, for the City as a whole, the financial position has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

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

- Assets
- Deferred outflows of resources
- Liabilities
- Deferred inflows of resources
- Net position (assets plus deferred 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 19. 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 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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022
UNAUDITED

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 24 through 26 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 27-28 of this report.

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CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022
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The City of Parma Heights As A Whole

The Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2022 compared to 2021.

Table 1

	Governmental Activities	
	2022	2021*
ASSETS		
Current and Other Assets	\$ 16,631,180	\$ 16,150,698
Capital Assets, Net	20,328,334	18,422,034
Net OPEB Asset	104,802	280,225
Total Assets	37,064,316	34,852,957
DEFERRED OUTFLOWS OF RESOURCES		
Pension	4,999,494	2,263,771
OPEB	1,096,776	1,337,742
Total Deferred Outflows of Resources	6,096,270	3,601,513
LIABILITIES		
Current and Other Liabilities	2,562,143	1,599,405
Long-term Liabilities:		
Due Within One Year	270,395	398,949
Due in More than One Year:		
Net Pension Liability	14,031,095	16,045,092
Net OPEB Liability	2,174,316	2,122,217
Other Amounts	4,145,206	4,356,671
Total Liabilities	23,183,155	24,522,334
DEFERRED INFLOWS OF RESOURCES		
Property Taxes and Leases	5,127,734	5,381,081
Pension	7,628,841	4,877,615
OPEB	1,513,000	2,383,546
Total Deferred Inflows of Resources	14,269,575	12,642,242
NET POSITION		
Net Investment in		
Capital Assets	16,945,130	15,131,690
Restricted	1,906,170	1,629,216
Unrestricted	(13,143,444)	(15,471,012)
Total Net Position	\$ 5,707,856	\$ 1,289,894

* Restated

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022
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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, net OPEB 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 (asset) 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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022
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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/asset, 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 \$2,211,359 from 2021 to 2022. The increase in assets is mainly the result of an increase in the Municipal Income Taxes Receivable, which was due to business increasing wages paid to employees as a whole.

The City's total liabilities decreased by \$1,339,179 which was the result mainly of the decreases in net pension liability and net OPEB 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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022
UNAUDITED

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 2022 and 2021.

Table 2

	Governmental Activities	
	2022	2021
REVENUES		
Program Revenues:		
Charges for Services	\$ 3,085,215	\$ 2,705,336
Operating Grants and Contributions	2,915,850	3,068,910
Capital Grants and Contributions	1,345,594	251,308
Total Program Revenues	7,346,659	6,025,554
General Revenues:		
Property Taxes	3,594,019	2,965,235
Municipal Income Taxes	11,426,218	10,468,571
Grants and Entitlements	1,137,385	1,208,265
Investment Income	95,776	6,739
Gain on Sale of Capital Assets	31,391	-
All Other Revenues	711,552	57,284
Total General Revenues	16,996,341	14,706,094
Total Revenues	24,343,000	20,731,648
EXPENSES		
Program Expenses:		
Security of Persons and Property	11,288,888	9,622,172
Public Health Services	128,701	116,303
Leisure Time Activities	954,457	364,240
Community Environment	581,567	363,646
Basic Utility Services	1,990,470	1,834,589
Transportation	3,023,967	1,332,481
General Government	1,883,203	2,007,595
Interest and Fiscal Charges	73,785	123,317
Total Expenses	19,925,038	15,764,343
Change in Net Position	4,417,962	4,967,305
Net Position - Beginning of Year	1,289,894	(3,677,411)
Net Position - End of Year	\$ 5,707,856	\$ 1,289,894

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022
UNAUDITED

Governmental Activities

Several revenue sources fund our governmental activities, with property tax and municipal income tax being the largest general revenue contributors. Property taxes and municipal income taxes were 61.7% and grants and entitlements, unrestricted in general revenue, totaling \$1,137,385 accounts for 4.7% of total governmental activity revenue. These unrestricted grants and entitlements are comprised of distributions from the State and County. Program revenues comprising 30.18% of total revenues and had a total increase of \$1,321,105 in 2022. The increase was mainly due to the City receiving funding from outside agencies to fund some of the capital projects that occurred during 2022.

The provisions of GASB Statements 68 and 75 required the City to recognize a pension/OPEB adjustment that decreased expenses by a total of \$2,197,813 in 2022 compared to a decrease of expenses by \$3,675,602 in 2021. 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	
	2022	2021
EXPENSES		
Program Expenses:		
Security of Persons and Property	\$ 12,431,962	\$ 10,519,546
Public Health Services	128,701	116,303
Leisure Time Activities	1,126,455	581,881
Community Environment	714,877	850,692
Basic Utility Services	1,990,470	1,834,589
Transportation	3,483,485	2,587,678
General Government	2,173,116	2,825,939
Interest and Fiscal Charges	73,785	123,317
Total Expenses	\$ 22,122,851	\$ 19,439,945

Using the adjusted amounts from the table above, the City’s total governmental activities experienced a 13.80 percent increase in 2022 program expenses when compared to 2021 expenses. Security of persons and property, including our police and fire departments, accounted for \$12,431,962, which is 56.20% of total governmental activity expenses. Transportation expense, includes streets and road maintenance, accounted for \$3,483,485 or 15.75%. General government expenses, including the executive, legislative and administrative functions of our City government activities accounted for \$2,173,116 or 9.82%. The remaining 18.24% 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.

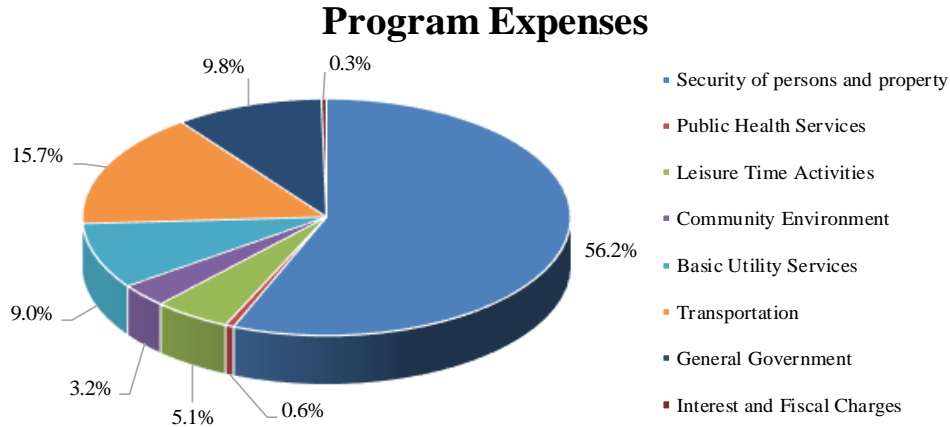
CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022
UNAUDITED

Table 4

Program Expenses	Total Cost of Services 2022	Net Cost of Services 2022
Security of persons and property	\$ 12,431,962	\$ (10,956,244)
Public Health Services	128,701	(127,998)
Leisure Time Activities	1,126,455	(1,749)
Community Environment	714,877	453,117
Basic Utility Services	1,990,470	(1,145,536)
Transportation	3,483,485	(1,969,962)
General Government	2,173,116	(954,035)
Interest and Fiscal Charges	73,785	(73,785)
Total Cost of Services	\$ 22,122,851	\$ (14,776,192)



Charges for services, operating grants and contributions, and capital grants and contributions all reduce the governmental activity expenses. For 2022, there was a difference of \$7,346,659 between the Total Cost of Services and the Net Cost of Services. The most significant contributing factors are as follows:

- Security of persons and property expenses were reduced by \$1,475,718 primarily through the charges for services for traffic citations and EMS billing.
- Leisure time activities expenses were reduced by \$1,124,706 primarily through collection of fees through recreation and senior center programs.
- Community Environment expenses were reduced by \$1,167,994 due to building department charges for permits and other fees.
- Basic Utility Services expenses were reduced by \$844,934 due to the reimburse of water line replacements and special assessment collection for garbage.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022
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- Transportation services were reduced by \$1,513,523 primarily through the receipt of gas tax and vehicle registration to help support the cost of street repairs.
- General government expenses increased by \$1,219,081 due to franchise taxes and cell tower rental fees charged.

Financial Analysis of the Government's Funds

Information about the City's governmental funds begins on page 19. These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had revenues of \$23,090,140 not including other financing sources and expenditures of \$24,239,474 not including other financing uses. The General fund balance decreased by \$632,326 in 2022. The General Capital Improvement fund balance decreased by \$749,419 due to continuous capital projects performed by the City.

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 2022 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 and final budgeted revenues, including other financing sources for the General Fund were \$15,825,957.

The original appropriations or expenditure estimates, for the General Fund was \$15,346,076 and the final appropriation total was \$18,007,937 for an increase of \$2,506,861, due mainly to transfers out.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

Table 5
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2022	2021
Land	\$ 1,421,777	\$ 1,421,777
Construction in progress	273,765	104,031
Buildings and Improvements	2,533,505	2,584,446
Machinery, Equipment and Vehicles	2,371,357	1,499,872
Infrastructure	13,727,930	12,811,908
Total	\$ 20,328,334	\$ 18,422,034

The City’s total capital assets for governmental activities increased in 2022 by \$1,906,300. The majority of this increase was due to additions to the City’s infrastructure in 2022. See Note 8 for additional detailed information on capital assets.

Debt

As of December 31, 2022, the City of Parma Heights had \$3,010,000 in long-term debt obligations excluding net pension liability and compensated absences, comprised as shown in Table 6. Payments due within one-year total \$205,000 excluding compensated absences.

Table 6
Long-Term Debt

	Governmental Activities	
	2022	2021
Loans Payable	\$ -	\$ 18,468
General Obligation Bonds Payable	3,010,000	3,210,000
Financed Lease Purchases	-	59,869
Total Outstanding Debt	\$ 3,010,000	\$ 3,288,337

The general obligation bonds are for various purposes. Principal and interest for the bonds are paid from property tax dollars received into the Bond Retirement Fund.

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022
UNAUDITED

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-bounce 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.

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 an 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.

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, 2022

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 4,626,274
Materials and Supplies Inventory	52,209
Accounts Receivable	257,579
Accrued Interest Receivable	15,949
Intergovernmental Receivable	1,264,723
Prepaid Items	92,671
Municipal Income Taxes Receivable	4,941,013
Property Taxes Receivable	3,639,281
Special Assessments Receivable	1,489
Leases Receivable	1,739,992
Nondepreciable Capital Assets	1,695,542
Depreciable Capital Assets	18,632,792
Net OPEB Asset	104,802
Total Assets	37,064,316
DEFERRED OUTFLOWS OF RESOURCES	
Pension	4,999,494
OPEB	1,096,776
Total Deferred Outflows of Resources	6,096,270
LIABILITIES	
Accounts and Contracts Payable	737,091
Accrued Wages and Benefits	157,662
Intergovernmental Payable	156,434
Accrued Interest Payable	5,694
Claims Payable	711,665
Unearned Revenue	793,597
Long-term Liabilities:	
Due Within One Year	270,395
Due in More than One Year:	
Net Pension Liability	14,031,095
Net OPEB Liability	2,174,316
Other Amounts Due in More than One Year	4,145,206
Total Liabilities	23,183,155
DEFERRED INFLOWS OF RESOURCES	
Property Taxes and Leases	5,127,734
Pension	7,628,841
OPEB	1,513,000
Total Deferred Inflows of Resources	14,269,575
NET POSITION	
Net Investment in Capital Assets	16,945,130
Restricted for:	
Debt Service	754,219
Capital Projects	69,639
Highways and Streets	324,018
Public Safety	191,885
Other Purposes	566,409
Unrestricted (Deficit)	(13,143,444)
Total Net Position	\$ 5,707,856

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, 2022

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Primary Government:					
Governmental activities:					
Security of Persons and Property	\$ 11,288,888	\$ 1,241,039	\$ 234,679	\$ -	\$ (9,813,170)
Public Health Services	128,701	-	703	-	(127,998)
Leisure Time Activities	954,457	136,932	342,129	645,645	170,249
Community Environment	581,567	467,994	200,000	500,000	586,427
Basic Utility Services	1,990,470	839,830	5,104	-	(1,145,536)
Transportation	3,023,967	48,067	1,265,507	199,949	(1,510,444)
General Government	1,883,203	351,353	867,728	-	(664,122)
Interest and Fiscal Charges	73,785	-	-	-	(73,785)
Total Governmental activities	19,925,038	3,085,215	2,915,850	1,345,594	(12,578,379)
General Revenues:					
Property Taxes levied for:					
					2,479,855
					395,361
					539,102
					179,701
Municipal Income Taxes levied for:					
					11,426,218
					1,137,385
					95,776
					31,391
					711,552
					<u>16,996,341</u>
					4,417,962
					<u>1,289,894</u>
					<u>\$ 5,707,856</u>

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, 2022

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$ 944,318	\$ -	\$ 2,447,348	\$ 3,391,666
Materials and Supplies Inventory	-	-	29,904	29,904
Accrued Interest Receivable	15,949	-	-	15,949
Accounts Receivable	109,086	-	148,493	257,579
Interfund Receivable	335,220	-	-	335,220
Intergovernmental Receivable	658,535	-	606,188	1,264,723
Prepaid Items	92,671	-	-	92,671
Municipal Income Taxes Receivable	4,941,013	-	-	4,941,013
Property Taxes Receivable	2,511,107	-	1,128,174	3,639,281
Special Assessments Receivable	-	-	1,489	1,489
Lease Receivable	1,739,992	-	-	1,739,992
Total Assets	<u>\$ 11,347,891</u>	<u>\$ -</u>	<u>\$ 4,361,596</u>	<u>\$ 15,709,487</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts and Contracts Payable	\$ 286,165	\$ -	\$ 429,316	\$ 715,481
Accrued Wages and Benefits	145,537	-	10,174	155,711
Intergovernmental Payable	21,938	-	131,640	153,578
Interfund Payable	-	279,608	55,612	335,220
Unearned Revenue	-	-	793,597	793,597
Total Liabilities	<u>453,640</u>	<u>279,608</u>	<u>1,420,339</u>	<u>2,153,587</u>
Deferred Inflows of Resources:				
Property Taxes and Leases	4,063,773	-	1,063,961	5,127,734
Unavailable Revenue - Delinquent Property Taxes	142,928	-	64,213	207,141
Unavailable Revenue - Income Taxes	4,184,840	-	-	4,184,840
Unavailable Revenue - Other	706,090	-	623,376	1,329,466
Total Deferred Inflows of Resources	<u>9,097,631</u>	<u>-</u>	<u>1,751,550</u>	<u>10,849,181</u>
Fund Balances:				
Nonspendable	427,891	-	29,904	457,795
Restricted	3,529	-	1,527,798	1,531,327
Assigned	519,301	-	-	519,301
Unassigned (Deficit)	845,899	(279,608)	(367,995)	198,296
Total Fund Balances	<u>1,796,620</u>	<u>(279,608)</u>	<u>1,189,707</u>	<u>2,706,719</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,347,891</u>	<u>\$ -</u>	<u>\$ 4,361,596</u>	<u>\$ 15,709,487</u>

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, 2022

Total Governmental Fund Balances \$ 2,706,719

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 20,328,334

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:

Delinquent property taxes	\$	207,141	
Municipal income taxes		4,184,840	
Special assessments		38,586	
Intergovernmental		1,155,015	
Charges for services		135,865	
Total			5,721,447

In the Statement of Activities, interest is accrued on outstanding bonds and loans, whereas in Governmental funds, an interest expenditure is reported when due. (5,694)

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. 518,831

The net pension liability and net OPEB liability are not due and payable in the current period; and the net OPEB asset is not available for spending in the current period; therefore the liability, and related deferred inflows/outflows are not reported in the governmental funds:

Deferred Outflows - Pension	\$	4,999,494	
Deferred Inflows - Pension		(7,628,841)	
Net Pension Liability		(14,031,095)	
Deferred Outflows - OPEB		1,096,776	
Deferred Inflows - OPEB		(1,513,000)	
Net OPEB Liability		(2,174,316)	
Net OPEB Asset		104,802	
Total			(19,146,180)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	\$	(3,010,000)	
Compensated absences		(1,405,601)	
Total			(4,415,601)

Net Position of Governmental Activities \$ 5,707,856

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, 2022

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$ 2,421,219	\$ -	\$ 1,087,821	\$ 3,509,040
Municipal Income Taxes	10,557,760	-	-	10,557,760
Intergovernmental	996,824	798,749	3,304,561	5,100,134
Interest	95,776	-	-	95,776
Fines, Licenses, and Permits	461,094	-	13,935	475,029
Fines and Forfeitures	391,480	-	4,310	395,790
Leases	138,196	-	-	138,196
Charges for Services	1,762,960	-	226,583	1,989,543
Contributions and Donations	45,252	-	50,000	95,252
Special Assessments	22,068	-	-	22,068
All Other Revenues	174,723	-	536,829	711,552
Total Revenues	<u>17,067,352</u>	<u>798,749</u>	<u>5,224,039</u>	<u>23,090,140</u>
EXPENDITURES				
Current:				
Security of Persons and Property	9,943,571	-	2,214,609	12,158,180
Public Health Services	125,178	-	-	125,178
Leisure Time Activities	545,508	-	585,264	1,130,772
Community Environment	757,111	-	-	757,111
Basic Utility Services	1,645,389	-	-	1,645,389
Transportation	-	-	2,595,942	2,595,942
General Government	2,097,921	-	13,153	2,111,074
Capital Outlay	-	1,548,168	1,814,900	3,363,068
Debt Service:				
Principal Retirement	-	-	278,337	278,337
Interest and Fiscal Charges	-	-	74,423	74,423
Total Expenditures	<u>15,114,678</u>	<u>1,548,168</u>	<u>7,576,628</u>	<u>24,239,474</u>
Excess of Revenues Over (Under) Expenditures	<u>1,952,674</u>	<u>(749,419)</u>	<u>(2,352,589)</u>	<u>(1,149,334)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	-	51,289	51,289
Transfers In	-	-	2,585,000	2,585,000
Transfers Out	(2,585,000)	-	-	(2,585,000)
Total Other Financing Sources (Uses)	<u>(2,585,000)</u>	<u>-</u>	<u>2,636,289</u>	<u>51,289</u>
Net Change in Fund Balances	(632,326)	(749,419)	283,700	(1,098,045)
Fund Balances - Beginning of Year	2,428,946	469,811	906,007	3,804,764
Fund Balances - End of Year	<u>\$ 1,796,620</u>	<u>\$ (279,608)</u>	<u>\$ 1,189,707</u>	<u>\$ 2,706,719</u>

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, 2022

Net Change in Fund Balances-Total Governmental Funds \$ (1,098,045)

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 capital outlay exceeded depreciation in the current period.

Capital Outlay	\$	2,877,314	
Depreciation		<u>(949,804)</u>	
Total			1,927,510

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. (21,210)

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

Delinquent property taxes	\$	84,979	
Municipal income taxes		868,458	
Special assessments		13,129	
Intergovernmental		214,552	
Charges for services		<u>41,663</u>	
Total			1,222,781

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows

Pension			1,717,301
OPEB			35,441

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability and net OPEB asset are reported as pension expense in the statement of activities.

Pension			281,193
OPEB			366,617

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. 278,337

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	\$	61,682	
Accrued interest on bonds		<u>638</u>	
Total			62,320

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. (354,283)

Change in Net Position of Governmental Activities \$ 4,417,962

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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Property Taxes	\$ 2,288,849	\$ 2,288,849	\$ 2,421,219	\$ 132,370
Municipal Income Taxes	9,936,509	9,936,509	10,511,166	574,657
Intergovernmental	940,769	940,769	995,176	54,407
Interest	22,930	22,930	24,256	1,326
Fines, Licenses and Permits	435,352	435,352	460,529	25,177
Fines and Forfeitures	352,811	352,811	373,215	20,404
Charges for Services	1,162,488	1,162,488	1,229,718	67,230
Contributions and Donations	3,715	3,715	3,930	215
Special Assessments	20,861	20,861	22,068	1,207
All Other Revenues	161,673	161,673	171,023	9,350
Total Revenues	<u>15,325,957</u>	<u>15,325,957</u>	<u>16,212,300</u>	<u>886,343</u>
Expenditures:				
Current:				
Security of Persons and Property	9,237,972	10,125,149	9,860,834	264,315
Public Health Services	112,913	125,178	125,178	-
Leisure Time Activities	160,449	138,160	168,334	(30,174)
Community Environment	771,479	791,502	783,834	7,668
Basic Utility Services	1,640,423	1,793,383	1,745,319	48,064
General Government	2,037,840	2,294,565	2,110,892	183,673
Total Expenditures	<u>13,961,076</u>	<u>15,267,937</u>	<u>14,794,391</u>	<u>473,546</u>
Excess of Revenues Over (Under)				
Expenditures	1,364,881	58,020	1,417,909	1,359,889
Other Financing Sources (Uses):				
Advances Out	-	(155,000)	(155,000)	-
Transfers In	500,000	500,000	800,000	300,000
Transfers Out	(1,385,000)	(2,585,000)	(2,585,000)	-
Total Other Financing Sources (Uses)	<u>(885,000)</u>	<u>(2,240,000)</u>	<u>(1,940,000)</u>	<u>300,000</u>
Net Change in Fund Balance	479,881	(2,181,980)	(522,091)	1,659,889
Fund Balance - Beginning of Year	681,879	681,879	681,879	-
Prior Year Encumbrances Appropriated	367,706	367,706	367,706	-
Fund Balance (Deficit) - End of Year	<u>\$ 1,529,466</u>	<u>\$ (1,132,395)</u>	<u>\$ 527,494</u>	<u>\$ 1,659,889</u>

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, 2022

	Governmental Activities <hr/> Internal Service Fund <hr/>
ASSETS	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,234,608
Materials and Supplies Inventory	22,305
<i>Total Current Assets</i>	<hr/> 1,256,913 <hr/>
Noncurrent Assets:	
Net OPEB Asset	8,942
<i>Total Noncurrent Assets</i>	<hr/> 8,942 <hr/>
Total Assets	<hr/> 1,265,855 <hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	89,124
OPEB	209
Total Deferred Outflows of Resources	<hr/> 89,333 <hr/>
LIABILITIES	
Current Liabilities:	
Accounts Payable	21,610
Accrued Wages and Benefits	1,951
Intergovernmental Payable	2,856
Compensated Absences Payable	200
Claims Payable	711,665
<i>Total Current Liabilities</i>	<hr/> 738,282 <hr/>
Noncurrent Liabilities:	
Compensated Absences Payable	60,674
Net Pension Liability	139,765
<i>Total Noncurrent Liabilities</i>	<hr/> 200,439 <hr/>
Total Liabilities	<hr/> 938,721 <hr/>
DEFERRED INFLOWS OF RESOURCES	
Pension	187,043
OPEB	38,264
Total Deferred Inflows of Resources	<hr/> 225,307 <hr/>
NET POSITION	
Unrestricted	191,160
Total Net Position	<hr/> \$ 191,160 <hr/>

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, 2022

	Governmental Activities <hr/> Internal Service Fund <hr/>
OPERATING REVENUES	
Charges for Services	\$ 3,281,965
Miscellaneous	147,840
Total Operating Revenues	<hr/> 3,429,805 <hr/>
OPERATING EXPENSES	
Salaries	238,417
Fringe Benefits	8,025
Materials and Supplies	763,516
Contractual Services	500,727
Claims	2,156,994
Total Operating Expense	<hr/> 3,667,679 <hr/>
Change in Net Position	(237,874)
Net Position - Beginning of Year	429,034
Net Position - End of Year	<hr/> \$ 191,160 <hr/>

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, 2022

	<u>Governmental Activities Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Interfund Services Provided Other	\$ 3,281,965
Cash Receipts	147,840
Cash Payments to Employees for Services	(389,864)
Cash Payments for Employee Benefits	(126,803)
Cash Payments for Goods and Services	(1,162,617)
Cash Payments for Claims	(1,674,772)
Net Cash Provided by Operating Activities	<u>75,749</u>
Net Increase in Cash and Cash Equivalents	75,749
Cash and Cash Equivalents - Beginning of Year	
Cash and Cash Equivalents - End of Year	<u>1,158,859</u>
	<u>\$ 1,234,608</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES Operating Loss	
Adjustments:	\$ (237,874)
 (Increase) Decrease in Assets:	
Materials and Supplies Inventory	101,047
Net OPEB Asset	14,968
 (Increase) in Deferred Outflows of Resources:	
Pension	(56,484)
OPEB	11,724
 Increase (Decrease) in Liabilities:	
Accounts Payable	6,144
Accrued Wages	(1,423)
Intergovernmental Payable	(2,726)
Claims Payable	326,990
Compensated Absences Payable	(379)
Net Pension Liability	(64,198)
 Increase (Decrease) in Deferred Inflows of Resources:	
Pension	41,893
OPEB	(63,933)
Net Cash Provided by Operating Activities	<u>\$ 75,749</u>

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, 2022

	Custodial Fund
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 19,568
Total Assets	<u>19,568</u>
LIABILITIES	
Accounts Payable	\$ 218
Total Liabilities	<u>218</u>
NET POSITION	
Restricted For:	
Individuals, Organizations, and Other Governments	19,350
Total Net Position	<u>\$ 19,350</u>

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

FOR THE YEAR ENDED DECEMBER 31, 2022

	Custodial Fund
ADDITIONS	
Licenses, Permits, & Fees Distributions for Other Governments	\$ 5,066
Total Additions	5,066
DEDUCTIONS	
Fines and Forfeitures Distributions to Other Governments	5,075
Total Deductions	5,075
Net Decrease in Fiduciary Net Position	(9)
Net Position - Beginning of Year	19,359
Net Position - End of Year	\$ 19,350

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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 14.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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 14.

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 14.

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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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.

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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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 12 and 13.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022, but which were levied to finance fiscal year 2023 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 Balance to Net Position of governmental activities found on page 20. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Note 12 and 13).

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 fiduciary 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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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 2022, 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 \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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	<u>\$ 95,776</u>	<u>\$ 74,031</u>

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, 2022 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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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:

<u>Description</u>	<u>Estimated Lives</u>
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, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions 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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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, financed purchases payable 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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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 2022, 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).

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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	\$ (632,326)
Adjustments, increase (decrease)	
Revenue accruals	(72,843)
Expenditures accruals	39,820
Encumbrances	(242,567)
Fund budgeted separately	385,825
Budgetary basis	\$ (522,091)

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

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

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the City.

GASB Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of this Statement did not have an effect on the financial statements of the City.

GASB Statement No. 92, *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of this Statement did not have an effect on the financial statements of the City.

GASB Statement No. 93, *Replacement of Interbank Offered Rates.* The objective of this Statement is to address those and other accounting and financial reporting implication that result from the replacement of an IBOR. The implementation of this Statement did not have an effect on the financial statements of the City.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES (CONTINUED)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of this Statement did not have an effect on the financial statements of the City.

GASB Statement No. 87, *Leases* and GASB Implementation Guide 2019-3, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. These changes were incorporated in the City's fiscal year 2022 financial statements. The City recognized \$1,833,790 in governmental activities as a Lease receivable at January 1, 2022; however, this entire amount was offset by the Deferred Inflows of Resources – Property Taxes and Leases. The notes to the basic financial statements include the disclosure requirements under the Statement.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

At December 31, 2022, the Capital Projects, Courts Indigent Drivers, and the Capital Improvement funds had deficit fund balances of \$279,608, \$53,422, and \$314,573, respectively. This deficit fund balance is the result of negative cash and 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, Leisure Time Activities line item in the amount of \$30,174.

The City had final appropriations in excess of estimated resources plus carryover balances as reported on the Official Certificate of Estimated Resources contrary to Ohio Revised Coded Section 5705.39 in the General Fund in the amount of \$1,132,395.

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Prepaid Items	\$ 92,671	\$ -	\$ -	\$ 92,671
Inventories	-	-	29,904	29,904
Interfund Balances	335,220	-	-	335,220
<i>Total Nonspendable</i>	<u>427,891</u>	<u>-</u>	<u>29,904</u>	<u>457,795</u>
<i>Restricted for</i>				
CDBG	-	-	347,442	347,442
Road Improvements	-	-	84,387	84,387
Police and Fire Pension	-	-	83,167	83,167
Public Safety	-	-	294,349	294,349
Recreation	-	-	18,896	18,896
Debt Service Payments	-	-	690,049	690,049
Grant	-	-	4,138	4,138
Other Purposes	3,529	-	5,370	8,899
<i>Total Restricted</i>	<u>3,529</u>	<u>-</u>	<u>1,527,798</u>	<u>1,531,327</u>
<i>Assigned to</i>				
Subsequent year Appropriations	455,965	-	-	455,965
Purchases on Order	63,336	-	-	63,336
<i>Total Assigned</i>	<u>519,301</u>	<u>-</u>	<u>-</u>	<u>519,301</u>
<i>Unassigned (Deficit)</i>	845,899	(279,608)	(367,995)	198,296
<i>Total Fund Balances</i>	<u>\$ 1,796,620</u>	<u>\$ (279,608)</u>	<u>\$ 1,189,707</u>	<u>\$ 2,706,719</u>

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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. LEGAL REQUIREMENTS (CONTINUED)

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.

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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. LEGAL REQUIREMENTS (CONTINUED)

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, 2022, the carrying amount of the City's deposits was \$3,718,617. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2022, \$773,041 of the City's bank balance of \$4,070,897 was covered by Federal Depository Insurance and \$2,169,664 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 \$1,127,707 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

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, 2022.

C. INVESTMENTS

As of December 31, 2022, the City had the following investments.

	Net Asset Value
Investment in STAR Ohio	<u>\$ 926,740</u>

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. INVESTMENTS (CONTINUED)

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 Net Asset Value.

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, 2022, 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, 2022 was 100 percent invested in STAR Ohio.

NOTE 7 – RECEIVABLES

Receivables at December 31, 2022, 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, 2022.

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 2022 for real and public utility property taxes represents collections of the 2021 taxes.

The 2022 real property taxes are levied after October 1, 2022, on the assessed value as of January 1, 2022, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2022.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7 – RECEIVABLES (CONTINUED)

A. PROPERTY TAXES (CONTINUED)

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. 2022 public utility property taxes became a lien December 31, 2021, are levied after October 1, 2022, and are collected in 2022 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2022, was \$10.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2022 property tax receipts were based are as follows:

Real property - 2022	
Residential/agricultural	\$ 312,414,890
Other real estate	82,999,810
Tangible personal property-2022	
Public utilities	10,749,050
Total valuation	<u>\$ 406,163,750</u>

Property tax receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2022 and for which there is an enforceable legal claim.

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 Regional Income Tax Agency (RITA) for municipal income tax collections in 2019 versus the Central Collection Agency (CCA) 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 RITA at least quarterly. Corporations and other individual taxpayers are also required to pay estimated tax quarterly and file a return annually. Taxes collected by RITA in one month are remitted to the City twice in the subsequent month. Municipal income tax revenue is credited entirely to the General Fund. Additional increases in the income tax rate require voter approval.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7 – RECEIVABLES (CONTINUED)

C. DUE FROM OTHER GOVERNMENTS

A summary of due from other governments follows:

Homestead and rollback	\$	248,696
Gasoline tax		468,780
Local government		359,154
Permissive		9,361
Miscellaneous		178,732
		178,732
	\$	1,264,723

D. LEASES

In previous years, the City entered into various cell phone tower lease agreements as the lessor. An initial lease receivable was recorded in the amount of \$1,833,790. As of December 31, 2022, the value of the leases receivable is \$1,739,993. The lessees are required to make payments on either a monthly or annual basis that totaled \$149,369 in 2022. The payment amounts increase over time at a variable rate that is disclosed in each agreement. The leases reported an implied interest rate of 4.00 percent. The value of the deferred inflow of resources as of December 31, 2022 was \$1,695,594 and the City recognized lease revenue of \$138,196 during the fiscal year.

Principal and Interest payments expected to be made to maturity at December 31, 2022 are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total Payments
2023	\$ 84,082	\$ 68,873	\$ 152,955
2024	91,213	65,435	156,647
2025	98,743	61,708	160,451
2026	106,694	57,675	164,369
2027	121,057	53,319	174,376
2028 - 2032	716,069	184,874	900,943
2033 - 2036	522,134	41,511	563,646
	\$ 1,739,992	\$ 533,394	\$ 2,273,386

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
<u>Governmental Activities</u>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 1,421,777	\$ -	\$ -	\$ 1,421,777
Construction in Progress	104,031	169,734	-	273,765
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,525,808</u>	<u>169,734</u>	<u>-</u>	<u>1,695,542</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	11,754,639	112,457	-	11,867,096
Machinery, equipment and vehicles	8,067,434	1,234,772	(247,906)	9,054,300
Infrastructure	82,331,764	1,360,351	-	83,692,115
<i>Total Capital Assets Being Depreciated</i>	<u>102,153,837</u>	<u>2,707,580</u>	<u>(247,906)</u>	<u>104,613,511</u>
<i>Total Capital Assets at Cost</i>	<u>103,679,645</u>	<u>2,877,314</u>	<u>(247,906)</u>	<u>106,309,053</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(9,170,193)	(163,398)	-	(9,333,591)
Machinery, equipment and vehicles	(6,567,562)	(342,077)	226,696	(6,682,943)
Infrastructure	(69,519,856)	(444,329)	-	(69,964,185)
Total Accumulated Depreciation	<u>(85,257,611)</u>	<u>(949,804) *</u>	<u>226,696</u>	<u>(85,980,719)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>16,896,226</u>	<u>1,757,776</u>	<u>(21,210)</u>	<u>18,632,792</u>
Total Governmental Activities Capital Asset, Net	<u>\$ 18,422,034</u>	<u>\$ 1,927,510</u>	<u>\$ (21,210)</u>	<u>\$ 20,328,334</u>

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 23,935
Security of Persons and Property	115,807
Transportation	418,354
Basic Utility Services	345,081
Public Health and Welfare	3,523
Leisure Time Activities	43,104
Total Depreciation Expense	<u>\$ 949,804</u>

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9 – LONG-TERM DEBT

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

	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
General obligation bonds				
Refunding recreation facility improvements	2012	2021	3.050%	\$1,730,000
Various Purpose Improvement Bonds	2021	2035	2.270%	3,210,000
Ohio Public Works Commission loan				
Ohio Public Works Commission loan	2002	2022	0.000%	368,333
Ohio Public Works Commission loan	2002	2022	0.000%	185,183

Changes in the City’s long-term obligations during 2022 were as follows:

	<u>Balance 12/31/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2022</u>	<u>Amount Due In One Year</u>
General Obligation Bonds:					
Various Purpose Improvement Bonds					
Series 2021, 2.27%	\$ 3,210,000	\$ -	\$ 200,000	\$ 3,010,000	\$ 205,000
Total General Obligation Bonds	<u>3,210,000</u>	<u>-</u>	<u>200,000</u>	<u>3,010,000</u>	<u>205,000</u>
Ohio Public Works Commission Loans - Direct Borrowings:					
Concrete street reconstruction	9,209	-	9,209	-	-
Concrete street reconstruction	9,259	-	9,259	-	-
Total Ohio Public Works Commission Loans	<u>18,468</u>	<u>-</u>	<u>18,468</u>	<u>-</u>	<u>-</u>
Net Pension Liability					
OPERS	2,390,427	-	752,402	1,638,025	-
OP&F	13,654,665	-	1,261,595	12,393,070	-
Total Net Pension Liability	<u>16,045,092</u>	<u>-</u>	<u>2,013,997</u>	<u>14,031,095</u>	<u>-</u>
Total OPEB Liability					
OP&F	2,122,217	52,099	-	2,174,316	-
Total Net OPEB Liability	<u>2,122,217</u>	<u>52,099</u>	<u>-</u>	<u>2,174,316</u>	<u>-</u>
Financed Purchases Payable					
Compensated Absences	59,869	-	59,869	-	-
Compensated Absences	1,467,283	-	61,682	1,405,601	65,395
Total Long-Term Liabilities	<u>\$ 22,922,929</u>	<u>\$ 52,099</u>	<u>\$ 2,354,016</u>	<u>\$ 20,621,012</u>	<u>\$ 270,395</u>

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9 – LONG-TERM DEBT (CONTINUED)

On April 6, 2021, the City issued \$3,210,000 Various Purpose Bonds, Series 2021. The bond proceeds were used to retire to the Various Purpose Bond Anticipation Notes. The bonds issued have an interest rate of 2.27% and will mature in 2035.

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 13 and 14 for further information regarding net pension and net OPEB liability.

Debt service requirements outstanding at December 31, 2022 consisted of:

General Obligation Bonds		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$205,000	\$68,327
2024	205,000	63,674
2025	210,000	59,020
2026	215,000	54,253
2027	220,000	49,373
2028 - 2032	1,175,000	169,683
2033 - 2035	780,000	35,639
	<u>\$3,010,000</u>	<u>\$499,968</u>

NOTE 10 – FINANCED PURCHASES PAYABLE

In prior years the City entered into a lease agreement for the purchase of a street sweeper. 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, 2022, the financed purchases payable were fully paid off.

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, 2022.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 11 – 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 \$2,585,000 to other governmental funds to help finance the various programs accounted for in other funds.

NOTE 12 – DEFINED BENEFIT PENSION PLANS

A. NET PENSION LIABILITY

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

The net pension liability represents the City'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.

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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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' Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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. Cost-of-living adjustments for OPERS members in 2022 will be 3 percent for all those eligible to receive the annual benefit increase.

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.

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.

Beginning in 2022, the combined plan will be consolidated under the traditional pension plan (defined benefit plan) and the combined plan will no longer be available for new hires beginning in 2022.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

	State and Local
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2022 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.

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer’s contribution allocated to health care was 0% for 2022 for the Traditional and Combined plans. The portion of the employer’s contribution allocated to health care was 4% for the Member-Directed plan for 2022. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contributions was \$424,501 for fiscal year ending December 31, 2022. Of this amount, \$33,898 is reported as an intergovernmental payable.

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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

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

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

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

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

	Police	Firefighters
2022 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2022 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 \$1,292,800 for 2022. Of this amount, \$117,561 is reported as an intergovernmental payable.

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NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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, 2021, and the total pension liability/asset used to calculate the net pension liability/asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net pension liability/asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. On the following page is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OP&F Police	OP&F Fire	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.016143%	0.0977496%	0.1025510%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.018827%</u>	<u>0.0952275%</u>	<u>0.1031434%</u>	
Change in Proportionate Share	<u>0.002684%</u>	<u>-0.0025221%</u>	<u>0.0005924%</u>	
Proportionate Share of the Net Pension Liability	\$ 1,638,025	\$ 5,949,266	\$ 6,443,804	\$ 14,031,095
Pension Expense	\$ (498,898)	\$ 73,245	\$ 144,460	\$ (281,193)

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F Police	OP&F Fire	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 83,504	\$ 171,537	\$ 185,803	\$ 440,844
Changes of assumptions	204,833	1,087,268	1,177,649	2,469,750
Changes in proportion and differences between City contributions and proportionate share of contributions	331,682	3,626	36,291	371,599
City contributions subsequent to the measurement date	<u>424,501</u>	<u>611,486</u>	<u>681,314</u>	<u>1,717,301</u>
Total Deferred Outflows of Resources	<u>\$ 1,044,520</u>	<u>\$ 1,873,917</u>	<u>\$ 2,081,057</u>	<u>\$ 4,999,494</u>
Deferred Inflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$ 1,948,371	\$ 1,559,805	\$ 1,689,466	\$ 5,197,642
Differences between expected and actual experience	35,926	309,279	334,990	680,195
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>207,834</u>	<u>676,409</u>	<u>866,761</u>	<u>1,751,004</u>
Total Deferred Inflows of Resources	<u>\$ 2,192,131</u>	<u>\$ 2,545,493</u>	<u>\$ 2,891,217</u>	<u>\$ 7,628,841</u>

CITY OF PARMA HEIGHTS, OHIO
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NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

\$1,717,301 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as shown below:

	OPERS	OP&F Police	OP&F Fire	Total
Year Ending December 31:				
2023	\$ (228,987)	\$ (268,157)	\$ (293,918)	\$ (791,062)
2024	(575,044)	(622,250)	(728,106)	(1,925,400)
2025	(458,142)	(301,361)	(386,406)	(1,145,909)
2026	(309,939)	(190,793)	(216,166)	(716,898)
2027	-	99,499	133,122	232,621
Total	\$ (1,572,112)	\$ (1,283,062)	\$ (1,491,474)	\$ (4,346,648)

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, 2021, 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. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2% down to 6.9%, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented on the following page:

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. ACTUARIAL ASSUMPTIONS – OPERS (CONTINUED)

	<u>Traditional Pension Plan</u>	<u>Combined Plan</u>
Wage Inflation		
Current Measurement Date:	2.75 percent	2.75 percent
Prior Measurement Date:	3.25 percent	3.25 percent
Future Salary Increases, including inflation		
Current Measurement Date:	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
Prior Measurement Date:	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA		
Pre 1/7/2013 retirees:	3 percent, simple	3 percent, simple
Post 1/7/2013 retirees:		
Current Measurement Date:	3 percent, simple through 2022, then 2.05 percent simple	3 percent, simple through 2022, then 2.05 percent simple
Prior Measurement Date:	0.50 percent, simple through 2021, then 2.15 percent simple	0.50 percent, simple through 2021, then 2.15 percent simple
Investment Rate of Return		
Current Measurement Date:	6.9 percent	6.9 percent
Prior Measurement Date:	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The long-term expected 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.

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 a gain of 15.3 percent for 2021.

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NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. ACTUARIAL ASSUMPTIONS – OPERS (CONTINUED)

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 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00 %	1.03 %
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	<u>100.00 %</u>	4.21 %

Discount Rate The discount rate used to measure the total pension liability was 6.9 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 6.9 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 or one-percentage-point higher than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability	\$ 4,318,726	\$ 1,638,025	\$ 592,674

CITY OF PARMA HEIGHTS, OHIO
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NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. ACTUARIAL ASSUMPTIONS – OP&F

OP&F’s total pension liability as of December 31, 2021 is based on the results of an actuarial valuation date of January 1, 2021, 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, 2021, are presented below:

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple

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

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

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

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

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NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. ACTUARIAL ASSUMPTIONS – OP&F (CONTINUED)

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, 2021 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return **
Domestic Equity	21.00 %	3.60 %
International Equity	14.00	4.40
Core Fixed Income *	23.00	1.10
U.S. Inflation Linked Bonds *	17.00	0.80
High Yield Fixed Income	7.00	3.00
Private Real Estate	12.00	4.80
Private Markets	8.00	6.80
Midstream Energy Infrastructure	5.00	5.00
Private Credit	5.00	4.50
Real Assets	8.00	5.90
Gold	5.00	2.40
Total	125.00 %	

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 7.50 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 7.50 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.

CITY OF PARMA HEIGHTS, OHIO
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NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 12 – 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 18,378,750	\$ 12,393,070	\$ 7,408,476

NOTE 13 – POST-EMPLOYMENT BENEFITS

A. NET OPEB LIABILITY/ASSET

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

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

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

GASB 75 assumes the liability/asset 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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 – POST-EMPLOYMENT BENEFITS (CONTINUED)

A. NET OPEB LIABILITY/ASSET (CONTINUED)

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

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

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

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

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2021, measurement date health care valuation.

In order to qualify for postemployment health care coverage, generally age and service retirees under the traditional pension and combined plans must be at least age sixty with twenty or more years of qualifying Ohio service credit, or thirty years of qualifying service at any age. 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' Annual Comprehensive 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.

CITY OF PARMA HEIGHTS, OHIO
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NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 – 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 covered payroll. In 2022, 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. For 2022, OPERS did not allocate employer contributions to health care for members in the Traditional Pension Plan and 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 2022 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 \$2,455 for 2022.

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. A summary of the full benefit provisions can be found in OP&F's annual comprehensive financial report.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75. The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available annual comprehensive 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.

CITY OF PARMA HEIGHTS, OHIO
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NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 – POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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 2022, 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 \$32,986 for 2022.

D. OPEB LIABILITIES/ASSET, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

The net OPEB asset and total OPEB asset for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2021, 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, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City’s proportion of the net OPEB liability/asset 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset			
Prior Measurement Date	0.015729%	0.2003005%	
Proportion of the Net OPEB Liability/Asset			
Current Measurement Date	<u>0.003346%</u>	<u>0.1983710%</u>	
Change in Proportionate Share	<u>-0.012383%</u>	<u>-0.0019295%</u>	
Proportionate Share of the Net OPEB			
Liability/(Asset)	\$ (104,802)	\$ 2,174,316	\$ 2,069,514
OPEB Expense	\$ (460,576)	\$ 93,959	\$ (366,617)

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 – POST-EMPLOYMENT BENEFITS (CONTINUED)

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

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ -	\$ 98,912	\$ 98,912
Changes of assumptions	-	962,423	962,423
City contributions subsequent to the measurement date	<u>2,455</u>	<u>32,986</u>	<u>35,441</u>
Total Deferred Outflows of Resources	<u>\$ 2,455</u>	<u>\$ 1,094,321</u>	<u>\$ 1,096,776</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 15,897	\$ 287,364	\$ 303,261
Changes of assumptions	42,423	252,536	294,959
Net difference between projected and actual earnings on OPEB plan investments	49,965	196,412	246,377
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>340,174</u>	<u>328,229</u>	<u>668,403</u>
Total Deferred Inflows of Resources	<u>\$ 448,459</u>	<u>\$ 1,064,541</u>	<u>\$ 1,513,000</u>

\$35,441 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 and increase of the net OPEB asset in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2023	\$ (335,712)	\$ 5,646	\$ (330,066)
2024	(94,653)	(23,517)	(118,170)
2025	(10,917)	(12,439)	(23,356)
2026	(7,177)	(18,722)	(25,899)
2027	-	18,398	18,398
Thereafter	<u>-</u>	<u>27,428</u>	<u>27,428</u>
Total	<u>\$ (448,459)</u>	<u>\$ (3,206)</u>	<u>\$ (451,665)</u>

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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 – POST-EMPLOYMENT BENEFITS (CONTINUED)

E. ACTUARIAL ASSUMPTIONS - OPERS (CONTINUED)

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, 2020, rolled forward to the measurement date of December 31, 2021. 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	
Current Measurement Date:	2.75 percent
Prior Measurement Date:	3.25 percent
Projected Salary Increases, including inflation	
Current Measurement Date:	2.75 to 10.75 percent, including wage inflation
Prior Measurement Date:	3.25 to 10.75 percent, including wage inflation
Single Discount Rate:	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	
Current Measurement Date:	1.84 percent
Prior Measurement Date:	2.00 percent
Health Care Cost Trend Rate	
Current Measurement Date:	5.50 percent initial, 3.50 percent ultimate in 2034
Prior Measurement Date:	8.50 percent initial, 3.50 percent ultimate in 2035
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

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 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.30 percent for 2021.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 – POST-EMPLOYMENT BENEFITS (CONTINUED)

E. ACTUARIAL ASSUMPTIONS – OPERS (CONTINUED)

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 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00 %	0.91 %
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00 %	3.45 %

Discount Rate - A single discount rate of 6.00 percent was used to measure the OPEB asset on the measurement date of December 31, 2021. A single discount rate of 6.00 percent was used to measure the OPEB asset on the measurement date of December 31, 2020. 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 1.84 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 2121. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City’s Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate The following table presents the City’s proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the City’s proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 – POST-EMPLOYMENT BENEFITS (CONTINUED)

E. ACTUARIAL ASSUMPTIONS – OPERS (CONTINUED)

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB asset	\$ 61,633	\$ 104,802	\$ 140,632

Sensitivity of the City's Proportionate Share of the Net Asset 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 asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50 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 asset	\$ 105,934	\$ 104,802	\$ 103,458

F. ACTUARIAL ASSUMPTIONS – OP&F

OP&F's total OPEB liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, 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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 – POST-EMPLOYMENT BENEFITS (CONTINUED)

F. 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, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 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	2.84 percent
Prior measurement date	2.96 percent
Cost of Living Adjustments	2.2 percent simple

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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 – 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, 2021, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return **</u>
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	3.60
Non-US Equity	14.00	4.40
Core Fixed Income *	23.00	1.10
U.S. Inflation Linked Bonds *	17.00	0.80
High Yield Fixed Income	7.00	3.00
Private Real Estate	12.00	4.80
Private Markets	8.00	6.80
Midstream Energy Infrastructure	5.00	5.00
Private Credit	5.00	4.50
Real Assets	8.00	5.90
Gold	5.00	2.40
Total	125.00 %	

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 in core fixed income and U.S. inflation linked bonds and the implementation approach for gold.

Discount Rate The total OPEB liability was calculated using the discount rate of 2.84 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 7.50 percent.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 – 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 2.05 percent at December 31, 2021 and 2.12 percent at December 31, 2020, was blended with the long-term rate of 7.50 percent, which resulted in a blended discount rate of 2.84 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 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, 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 2.84 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 (1.84 percent), or one percentage point higher (3.84 percent) than the current rate.

	1% Decrease (1.84%)	Current Discount Rate (2.84%)	1% Increase (3.84%)
City's proportionate share of the net OPEB liability	\$ 2,733,164	\$ 2,174,316	\$ 1,714,942

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.

NOTE 14 – JOINTLY GOVERNED ORGANIZATION

A. SOUTHWEST COUNCIL OF GOVERNMENTS

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

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 14 – JOINTLY GOVERNED ORGANIZATION

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.

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 15 – CONTINGENCIES

For the year ended December 31, 2022, 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.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 15 – CONTINGENCIES (Continued)

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 16 – 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 \$242,641 for the general fund and \$1,173,334 for other governmental funds.

NOTE 17 – RISK MANAGEMENT

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

The City has established a medical self-insurance program for City employees and their covered dependents. The City has elected to present hospitalization activity in the General Fund. This program is administered with the assistance of an outside third-party administrator (Medical Mutual of Ohio). At year- end, self-insurance was in effect for losses up to \$75,000 per participant, with an aggregate maximum limit of reimbursement liability for the 2022 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, 2022 and 2021 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.

	2022	2021
Unpaid claims, beginning of year	\$ 384,675	\$ 128,139
Incurred claims	2,001,762	1,908,856
Claim payments	(1,674,772)	(1,652,320)
Unpaid claims, end of year	\$ 711,665	\$ 384,675

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 17 – RISK MANAGEMENT (CONTINUED)

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 \$0 have been accrued as a liability at December 31, 2022, based on an estimate provided by Comp Management, Inc., the City's third-party administrator.

NOTE 18 – TAX ABATEMENT

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

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

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

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 2022, 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 \$53 during 2022.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTE TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 19 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2022, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Required Supplementary Information

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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 NINE YEARS (1)

<u>Traditional Plan</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's Proportion of the Net Pension Liability	0.018827%	0.016143%	0.020628%	0.021733%
City's Proportionate Share of the Net Pension Liability	\$ 1,638,025	\$ 2,390,427	\$ 4,077,264	\$ 5,952,228
City's Covered Payroll	\$ 2,732,393	\$ 2,281,871	\$ 2,903,557	\$ 3,013,943
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	59.95%	104.76%	140.42%	197.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%

(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

2018	2017	2016	2015	2014
0.024437%	0.023476%	0.026022%	0.028582%	0.028582%
\$ 3,833,692	\$ 5,331,000	\$ 4,460,101	\$ 3,445,913	\$ 3,369,065
\$ 3,330,708	\$ 3,053,267	\$ 3,234,100	\$ 3,554,250	\$ 3,770,638
115.10%	174.60%	137.91%	96.95%	89.35%
84.66%	77.25%	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 NINE YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's Proportion of the Net Pension Liability	0.198371%	0.200301%	0.219737%	0.241614%
City's Proportionate Share of the Net Pension Liability	\$ 12,393,070	\$ 13,654,665	\$ 14,802,650	\$ 19,282,038
City's Covered Payroll	\$ 5,463,963	\$ 5,810,358	\$ 5,911,389	\$ 5,993,768
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	226.81%	235.01%	250.41%	321.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%	63.07%

(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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.2425670%	0.2423920%	0.2490790%	0.2558630%	0.2558630%
\$ 14,887,432	\$ 15,352,866	\$ 16,023,427	\$ 13,254,770	\$ 12,461,331
\$ 5,993,768	\$ 5,808,484	\$ 5,636,942	\$ 5,627,342	\$ 5,779,650
248.38%	264.32%	284.26%	235.54%	215.61%
70.91%	68.36%	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 TEN YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contributions	\$ 424,501	\$ 382,535	\$ 319,462	\$ 406,498
Contributions in Relation to the Contractually Required Contribution	<u>(424,501)</u>	<u>(382,535)</u>	<u>(319,462)</u>	<u>(406,498)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 3,032,150	\$ 2,732,393	\$ 2,281,871	\$ 2,903,557
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 421,952	\$ 432,992	\$ 366,392	\$ 388,092	\$ 426,510	\$ 490,183
<u>(421,952)</u>	<u>(432,992)</u>	<u>(366,392)</u>	<u>(388,092)</u>	<u>(426,510)</u>	<u>(490,183)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,013,943	\$ 3,330,708	\$ 3,053,267	\$ 3,234,100	\$ 3,554,250	\$ 3,770,638
14.00%	13.00%	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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contributions	\$ 1,292,800	\$ 1,038,153	\$ 1,103,968	\$ 1,123,164
Contributions in Relation to the Contractually Required Contribution	<u>(1,292,800)</u>	<u>(1,038,153)</u>	<u>(1,103,968)</u>	<u>(1,123,164)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 6,117,556	\$ 5,463,963	\$ 5,810,358	\$ 5,911,389
Contributions as a Percentage of Covered-Employee Payroll	21.12%	19.00%	19.00%	19.00%

See accompanying notes to the required supplementary information

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 1,123,164	\$ 1,138,816	\$ 1,103,612	\$ 1,071,019	\$ 1,069,195	\$ 909,139
<u>(1,123,164)</u>	<u>(1,138,816)</u>	<u>(1,103,612)</u>	<u>(1,071,019)</u>	<u>(1,069,195)</u>	<u>(909,139)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,911,389	\$ 5,993,768	\$ 5,808,484	\$ 5,636,942	\$ 5,627,342	\$ 5,779,650
19.00%	19.00%	19.00%	19.00%	19.00%	15.73%

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 SIX YEARS (1)

	2022	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability/Asset	0.003346%	0.015729%	0.019761%	0.020499%	0.023110%	0.023110%
City's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (104,802)	\$ (280,225)	\$ 2,729,507	\$ 2,672,586	\$ 2,509,576	\$ 2,334,188
City's Covered Payroll	\$ 2,861,657	\$ 2,387,115	\$ 2,903,557	\$ 3,013,946	\$ 3,330,708	\$ 3,053,267
City's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-3.66%	-11.74%	94.01%	88.67%	75.35%	76.45%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	128.23%	115.57%	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 SIX YEARS (1)

	2022	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.1983710%	0.2003005%	0.2197369%	0.2368353%	0.2425670%	0.2423920%
City's Proportionate Share of the Net OPEB Liability	\$ 2,174,316	\$ 2,122,217	\$ 2,170,502	\$ 2,156,749	\$ 13,743,506	\$ 11,505,803
City's Covered Payroll	\$ 5,093,961	\$ 5,463,963	\$ 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	42.68%	38.84%	37.36%	36.48%	229.30%	198.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.86%	45.42%	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 EMPLOYEES RETIREMENT SYSTEM-TRADITIONAL PLAN
LAST SEVEN YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 2,455	\$ 2,103	\$ 1,392	\$ 1,288	\$ -	\$ 33,294	\$ 59,382
Contributions in Relation to the Contractually Required Contribution	<u>(2,455)</u>	<u>(2,103)</u>	<u>(1,392)</u>	<u>(1,288)</u>	<u>-</u>	<u>(33,294)</u>	<u>(59,382)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 3,181,461	\$ 2,861,657	\$ 2,387,115	\$ 2,903,557	\$ 3,013,946	\$ 3,330,708	\$ 3,053,267
Contributions as a Percentage of Covered Payroll	0.08%	0.07%	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

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)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contribution	\$ 32,986	\$ 25,469	\$ 24,635	\$ 26,088
Contributions in Relation to the Contractually Required Contribution	<u>(32,986)</u>	<u>(25,469)</u>	<u>(24,635)</u>	<u>(26,088)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 6,117,556	\$ 5,093,961	\$ 5,463,963	\$ 5,810,358
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

See accompanying notes to the required supplementary information

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 26,505	\$ 26,350	\$ 26,352	\$ 25,617	\$ 26,405	\$ 29,891
<u>(26,505)</u>	<u>(26,350)</u>	<u>(26,352)</u>	<u>(25,617)</u>	<u>(26,405)</u>	<u>(29,891)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,911,389	\$ 5,993,768	\$ 5,808,484	\$ 5,636,942	\$ 5,627,342	\$ 5,779,650
0.50%	0.50%	0.50%	0.50%	0.50%	3.62%

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2022

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 2014-2022.

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. For 2021, 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 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple. For 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75% (b) the cost-of-living adjustments for post-1/7/2013 retirees were increased from 0.50% simple through 2021 to 3.00% simple through 2022, then 2.05% simple (c) the expected investment return was reduced from 7.20% to 6.90%.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2022.

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%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035. For 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75%. (b) the municipal bond rate changed from 2.00% to 1.84% (c) the health care cost trend rate changed from 8.50% initial and 3.50% ultimate in 2035 to 5.50% initial and 3.50% ultimate in 2034.

CITY OF PARMA HEIGHTS, OHIO
CUYAHOGA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2022

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 2014-2022.

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 2019-2021, 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. For 2022, the investment rate of return was reduced from 8.00 percent to 7.50 percent.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018 and 2020-2022. 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. For 2021, the single discount rate changed from 3.56 to 2.96. For 2022, the single discount rate changed from 2.96 to 2.84.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 14, 2024, 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 one year.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 14, 2024

CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2022

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

Financial Reporting

FINDING NUMBER 2022-001

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.

In 2022, the following activity was improperly recorded, and adjustments to the financial statements and the Uniform Accounting Network (UAN) system were made:

- The City improperly reported Intergovernmental Revenue of \$304,138 to the Capital Projects Fund that should have been reported in Other Governmental Funds. This also affects the ending fund balance.

Failure to properly record receipts and disbursements in the accounting system could result in errors in the financial statements and inaccurate information being reported to Council and the City residents.

We recommend the City adopt policies and procedures for controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the City and thereby increasing the reliability of the financial data throughout the year.

Official's Response:

These adjustments have been completed. Funds should have been posted in 2151 (Coronavirus Fund), but were posted in capital by mistake.

**CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022
(CONTINUED)**

Payroll Deficiencies

FINDING NUMBER 2022-002

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:

- 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:

- City departmental supervisors submitted timesheet information including leave taken for the pay period to the City finance department for payroll processing, however, leave balances were not consistently or accurately tracked by the City finance department in either the Ahola payroll system or the Microsoft Excel spreadsheet prepared by the City finance department.
- City Council did not approve the position or pay rate for 1 of 25 employees reviewed. Although an Employee Status Notice Pay form was maintained and approved by the Mayor denoting approval for the employee to change from a full-time position to a part-time position, the form did not denote the pay rate to be received by the employee.

**CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022
(CONTINUED)**

Additionally, 0 of 24 timesheets for the employee were signed by the Supervisor to denote approval for the hours worked and leave used;

- Timesheets were not signed by the Supervisor to denote approval for the hours worked and leave used for 19 of 31 timesheets reviewed;
- The City issued severance payout overpayments totaling \$5,513 to 3 of 7 employees reviewed. See Findings 2022-003 through 2022-005 below;
- The City issued a severance payout underpayment of \$1,280 to 1 of 7 employees reviewed;
- The City did not issue a severance payment to the former Clerk of Council upon separation from the City in October 2021; however, the City removed the employee from the reported compensated absences balances resulting in under-reported compensated absences of \$3,867;
- When calculating compensated absences, the City used the improper hourly rate for 63 of 103 employees, resulting in an under-reporting of compensated absences of \$56,328. Additionally, for the compensated absences computation, employee leave balances were improperly calculated for 3 of 4 employees tested;
- The City over-reported the vacation leave hours for an employee by 61 hours, and under-reported the sick leave hours by 507, resulting in under-reported compensated absences of \$2,153;
- The City did not properly track the vacation leave hours for a former employee, which led to him using 179 more hours of vacation leave than he had available. This resulted in the employee being over-paid by \$5,622. See Finding 2022-006;

Due to these weaknesses, we were unable to satisfy ourselves the City's accumulated leave balances used to calculate its estimated liability for compensated absences, reported within Governmental Activities due within more than one year, and due within one year liabilities in the amounts of \$1,340,206 and \$65,395, 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:

- 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;
- Policies and procedures regarding the review and approval of timesheets should be developed and approved by Council.

Given the breadth of errors identified in the City's accumulated leave balance accounting records,

**CITY OF PARMA HEIGHTS
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**SCHEDULE OF FINDINGS
DECEMBER 31, 2022
(CONTINUED)**

the City should continue to utilize assistance from an outside accounting/consulting firm to reconstruct its leave records and recalculate all recent leave severance payments to ensure they 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:

The City has been aware of these weaknesses, and has been making changes to procedures to ensure this does not happen again. Per the auditors recommendation in our 2021 audit, we have been working with an outside accounting firm to review separation payouts that occurred prior to 2023. So far the results have been favorable to the City's original calculations.

Employee Status forms are kept for all employees and signed off on by the Mayor and Finance Director. The one noted above had a form, but the employee went from a full time status to part time, which was not addressed clearly in the wage ordinance. This has since been updated.

The City has also contracted with an outside law firm to do an evaluation and overhaul of the current administrative code. There are some sections that contain conflicting information that have caused confusion for many years. In conjunction with the administrative code updates there will be a new employee manual produced to reflect those changes.

Regarding the findings for recovery – three of the four have been in contact with the City and have made payment arrangements.

2. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issues related to Findings for Recovery. These issues did not impact our GAGAS or Single Audit Compliance and Controls reports.

Finding for Recovery Repaid Under Audit

FINDING NUMBER 2022-003

Section 18.01 of the collective bargaining agreement between the City of Parma Heights and the Ohio Patrolmens' Benevolent Association representing the City's police officers states "each regular full-time employee of the Police Department shall be entitled to 4.6 hours of sick leave for every eighty (80) hours of regularly scheduled employment."

The City accrued sick leave on a monthly basis in the Police Department's payroll system for David Kunker, resulting in accrued sick leave exceeding the allowable amount by 3 hours. Mr. Kunker retired effective October 15, 2022 and received a severance payment on October 21, 2022. Due to the overstatement of sick balance, the severance payout resulted in an overpayment of \$99.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; Cordray v. Internatl. Preparatory School, 128 Ohio St.3d 50 (2010).

**CITY OF PARMA HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022
(CONTINUED)**

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against David Kunker and Katie Iaconis, Director of Finance, jointly and severally, in the amount of \$99 and in favor of the City of Parma Heights General Fund.

The City should implement procedures to ensure leave is properly accrued and tracked, and individuals are compensated using the correct leave balances in accordance with the appropriate employment contract, and/or collective bargaining agreement.

Mr. Kunker repaid the City \$99 on January 31, 2024.

Officials' Response:

We have been in contact with the employee to remedy. Also working with the police department to clarify how their time tracking software is accruing vs their CBA.

Finding for Recovery Repaid Under Audit

FINDING NUMBER 2022-004

The City's procedures require employees to complete a bi-weekly timesheet. Timesheets are submitted for approval to the employee's supervisor. Information from the timesheets are then entered into the payroll system, including leave used, by the Assistant Finance Director. The Director of Finance reviews payroll in the system and approves it electronically.

The City did not properly record 5 hours of vacation leave used by Dennis Patten during 2020 in the system. They also under-reported vacation leave accrued during 2022 by 1 hour. As a result, accrued vacation leave was overstated by 4 hours at Mr. Patten's separation date. Mr. Patten retired effective March 5, 2022 and received a severance payment on July 15, 2022. Due to the overstatement of vacation balance, the severance payout resulted in an overpayment of \$188.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; Cordray v. Internatl. Preparatory School, 128 Ohio St.3d 50 (2010).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Dennis Patten and Katie Iaconis, Director of Finance, jointly and severally, in the amount of \$188 and in favor of the City of Parma Heights General Fund.

The City should implement procedures to ensure leave is properly accrued and tracked, and individuals are compensated using the correct leave balances in accordance with the appropriate employment contract.

Mr. Patten repaid the City \$188 on February 1, 2024.

Officials' Response:

Employee has repaid.

**CITY OF PARMA HEIGHTS
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**SCHEDULE OF FINDINGS
DECEMBER 31, 2022
(CONTINUED)**

Finding for Recovery

FINDING NUMBER 2022-005

Per the City's codified ordinances Chapter 147, for employees working seven-hour days, allowable sick leave retirement payout upon retirement is 60% of up to 1,050 hours at the employee's pay rate.

Additionally, the City's policy manual, section 3.15 states, upon termination of employment, employees shall be paid for all accumulated compensatory time not used, but not to exceed 96 hours.

Jacquelin Cornhoff had a sick leave balance of 1,326 hours upon her retirement. The City paid out 720 hours of sick leave. The maximum allowed sick leave payout should have been 630 hours. The City also paid out 247.5 hours of compensatory time. The maximum allowed compensatory time payout should have been 96 hours. They also over-reported her vacation leave balance at the separation date by 8.58 hours. Ms. Cornhoff retired effective December 31, 2021 and received a severance payment on February 11, 2022. Due to the conditions noted above, the severance payout resulted in an overpayment of \$5,226.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; Cordray v. Internatl. Preparatory School, 128 Ohio St.3d 50 (2010).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jacquelin Cornhoff and Katie Iaconis, Director of Finance, jointly and severally, in the amount of \$5,226 and in favor of the City of Parma Heights General Fund.

The City should implement procedures to ensure individuals are compensated using the correct leave balances in accordance with the City's codified ordinances and policy manual.

Officials' Response:

Have not yet heard from the employee.

Finding for Recovery Resolved Under Audit

FINDING NUMBER 2022-006

Eligible City employees earn vacation leave throughout the year. Vacation leave used should be indicated on each employee's timesheet, and leave balances should be tracked within the City's payroll system.

The City's Assistant Finance Director, Vjekoslav Nogalo, used and was paid for 267.17 hours of vacation leave during 2021 and 2022. During the same time frame, Mr. Nogalo accrued only 87.5 hours of vacation leave, and had no vacation leave balance as of January 1, 2021. Due to leave usage not being properly recorded on timesheets and tracked, Mr. Nogalo used 179.67 hours of vacation beyond what was allowable. This led to an overpayment of \$5,622.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; Cordray v. Internatl. Preparatory School, 128 Ohio St.3d 50 (2010).

**CITY OF PARMA HEIGHTS
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**SCHEDULE OF FINDINGS
DECEMBER 31, 2022
(CONTINUED)**

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Vjekoslave Nogalo and Katie Iaconis, Director of Finance, jointly and severally, in the amount of \$5,622 and in favor of the City of Parma Heights General Fund.

The City should implement procedures to ensure leave balances are properly accrued and tracked, and employees are not permitted to use leave they do not have.

On February 14, 2024, the City executed an agreement with Mr. Nogalo to repay \$5,622 through garnishment of wages.

Officials' Response:

Mr. Nogalo was accruing time, however due to poor documentation the finding is 'accurate'. We have made repayment arrangements with Mr. Nogalo and this issue has been corrected.



MAYOR MARIE GALLO

FINANCE DEPARTMENT
KATIE IACONIS, DIRECTOR OF FINANCE AND HUMAN RESOURCES

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2022

Finding Number	Finding Summary	Status	Additional Information
2021-001	The City had various deficiencies over the payroll cycle.	Not Corrected	Repeated as 2022-001

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 3/21/2024

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

This report is a matter of public record and is available online at
www.ohioauditor.gov