



Dave Yost • Auditor of State



**CITY OF PARMA, OHIO  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parma, Cuyahoga County, Ohio, (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of the Parma Public Housing Agency, which represent 2.19 percent, 7.16 percent, and 6.89 percent, respectively, of the assets, net position, and revenues of governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the Parma Public Housing Agency, is based solely on the report of other auditors. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

**Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parma, Cuyahoga County, Ohio, as of December 31, 2016, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and Police Levy Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary Information*

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 10, 2018

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City of Parma, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited

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The discussion and analysis of the City of Parma's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. 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 2016 are as follows:

- The assets of the City exceeded its liabilities at December 31, 2016 by \$33,636,966 (net position). Of this amount, \$(43,663,866) (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Of the \$33,636,966 of net position, business-type activities account for \$760,430 of net position, while governmental activities net position were \$32,876,536.
- The City's net position increased by \$1,125,210 during 2016 due to an increase in revenues.
- Business-type activities net position decreased by \$(72,421). The decrease in business-type activities net position was primarily attributed to an increase in operating expenses.
- Governmental activities net position increased by \$1,197,631 due primarily to an increase in revenues.
- At the end of the current fiscal year, the General Fund fund balance was \$5,865,892 and the unassigned fund balance was \$2,252,057. The remainder of the fund balance is nonspendable or assigned to indicate that it is not available for new spending because it has been specifically reserved for expenditure by City ordinances or intent of use.
- The City's total governmental activities long-term debt decreased by \$237,982 (0.99 percent) during the current fiscal year. The decrease was primarily attributable to the payment of governmental activities debt agreements.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The basic proprietary fund financial statements can be found starting on page 30 of this report.

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

The basic fiduciary fund financial statements can be found on page 34 of this report.

***Notes to the Basic Financial Statements*** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 35 of this report.

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Management's Discussion and Analysis  
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***GOVERNMENT-WIDE FINANCIAL ANALYSIS***

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question "How did we do financially during 2016?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private-sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the City's net position and the changes in net position. The change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated. The *Statement of Net Position* and the *Statement of Activities* are divided into the following sections:

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

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

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Management's Discussion and Analysis  
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Unaudited

Table 1: Summary Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and Other Assets	\$40,615,190	\$35,184,041	\$25,811	\$31,858	\$40,641,001	\$35,215,899
Capital Assets	87,200,634	89,391,688	1,294,124	1,300,565	88,494,758	90,692,253
Total Assets	127,815,824	124,575,729	1,319,935	1,332,423	129,135,759	125,908,152
<b>Deferred Outflows of Resources</b>						
Pension	20,985,510	8,528,486	196,519	73,060	21,182,029	8,601,546
Other	-	-	-	547	-	547
Total Deferred Outflows of Resources	20,985,510	8,528,486	196,519	73,607	21,182,029	8,602,093
<b>Liabilities</b>						
Long-Term Liabilities	23,750,343	23,988,325	32,427	5,218	23,782,770	23,993,543
Net Pension Liability	73,740,627	60,587,801	497,326	375,298	74,237,953	60,963,099
Other Liabilities	6,146,839	8,392,837	208,620	186,070	6,355,459	8,578,907
Total Liabilities	103,637,809	92,968,963	738,373	566,586	104,376,182	93,535,549
<b>Deferred Inflows of Resources</b>						
Property Taxes	8,652,915	8,157,698	-	-	8,652,915	8,157,698
Pension	3,634,074	298,649	17,651	6,593	3,651,725	305,242
Total Deferred Inflows of Resources	12,286,989	8,456,347	17,651	6,593	12,304,640	8,462,940
<b>Net Position</b>						
Net Investment in Capital Assets	67,944,929	69,867,591	1,294,124	1,300,565	69,239,053	71,168,156
<b>Restricted For</b>						
Debt Service	196,005	318,398	-	-	196,005	318,398
Security of Persons and Property	3,267,573	3,576,364	-	-	3,267,573	3,576,364
Transportation	1,588,821	1,338,880	-	-	1,588,821	1,338,880
Community Environment	1,613,859	779,930	-	-	1,613,859	779,930
Basic Utility Services	129,989	72,880	-	-	129,989	72,880
Leisure Time Activities	756,685	873,952	-	-	756,685	873,952
Capital Projects	538,847	914,582	-	-	538,847	914,582
<b>Unrestricted</b>	(43,130,172)	(46,063,672)	(533,694)	(467,714)	(43,663,866)	(46,531,386)
Total Net Position	\$32,876,536	\$31,678,905	\$760,430	\$832,851	\$33,636,966	\$32,511,756

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Unaudited

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As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$33,636,966 at the close of the most recent fiscal year.

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

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

Total net position increased by \$1,125,210 with governmental net position comprising \$1,197,631 and business-type activities comprising \$(72,421) of that amount.

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

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Table 2: Summary Statement of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$16,231,259	\$14,658,799	\$869,408	\$872,521	\$17,100,667	\$15,531,320
Operating Grants, Contributions, and Interest	13,423,041	13,028,232	-	-	13,423,041	13,028,232
<b>General Revenues</b>						
Property Taxes	9,541,858	8,910,050	-	-	9,541,858	8,910,050
Income Taxes	39,145,271	38,912,257	-	-	39,145,271	38,912,257
Grants and Entitlements not Restricted to Specific Programs	3,092,631	2,732,302	-	-	3,092,631	2,732,302
Investment Earnings	3,838	1,941	-	-	3,838	1,941
<b>Total Revenues</b>	<b>81,437,898</b>	<b>78,243,581</b>	<b>869,408</b>	<b>872,521</b>	<b>82,307,306</b>	<b>79,116,102</b>
<b>Expenses</b>						
<b>Program Expenses</b>						
General Government -						
Legislative and Executive	32,013,016	25,604,200	-	-	32,013,016	25,604,200
Security of Persons and Property	30,968,761	33,282,588	-	-	30,968,761	33,282,588
Public Health and Welfare	319,876	319,876	-	-	319,876	319,876
Transportation	4,725,146	3,830,497	-	-	4,725,146	3,830,497
Community Environment	7,074,966	7,185,083	-	-	7,074,966	7,185,083
Basic Utility Services	1,570,566	1,707,876	-	-	1,570,566	1,707,876
Leisure Time Activities	2,878,732	2,634,887	-	-	2,878,732	2,634,887
Interest and Fiscal Charges	689,204	603,605	-	-	689,204	603,605
Golf Course	-	-	941,829	836,728	941,829	836,728
<b>Total Expenses</b>	<b>80,240,267</b>	<b>75,168,612</b>	<b>941,829</b>	<b>836,728</b>	<b>81,182,096</b>	<b>76,005,340</b>
<b>Change in Net Position</b>	<b>1,197,631</b>	<b>3,074,969</b>	<b>(72,421)</b>	<b>35,793</b>	<b>1,125,210</b>	<b>3,110,762</b>
<b>Net Position Beginning of Year</b>	<b>31,678,905</b>	<b>28,603,936</b>	<b>832,851</b>	<b>797,058</b>	<b>32,511,756</b>	<b>29,400,994</b>
<b>Total Net Position</b>	<b>\$32,876,536</b>	<b>\$31,678,905</b>	<b>\$760,430</b>	<b>\$832,851</b>	<b>\$33,636,966</b>	<b>\$32,511,756</b>

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**Governmental Activities** - Several types of revenues fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate was 2.5 percent for 2016. Both residents and non-residents who work inside the City are subject to the income tax. However, if residents work in a locality that has municipal income tax, the City provides 100 percent credit to those who pay income tax to another city. The income tax revenue for 2016 was \$39,145,271. Of the \$81,437,898 in total revenues, income tax accounts for 48.07 percent of the total. Property taxes of \$9,541,858 account for 11.72 percent of total revenues. Operating grants, contributions and interest, and general revenues from grants and entitlements account for 20.28 percent of total revenues, and charges for services and investment earnings make up the remaining 19.93 percent.

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

Total expenses of governmental activities for 2016 were \$80,240,267. The largest program function for the City relates to general government-legislative and executive, with expenses of \$32,013,016, which is 39.90 percent of program expenses. Security of persons and property, which includes the police and fire departments, is the next largest program expense at 38.60 percent, followed by community environment expenses of 8.82 percent. Public health and welfare, transportation, basic utility services, leisure time activities, and interest and fiscal charges comprised 12.68 percent.

**Business-Type Activities** - Business-type activities decreased the City's net position by \$(72,421). Charges for services decreased by \$3,113 and operating expenses increased by \$105,101. Total expenses of business-type activities were \$941,829 for the golf course operations.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

As of December 31, 2016, the City's governmental funds reported combined ending fund balances of \$18,865,102. Of that amount, \$(780,472) is unassigned fund balances available for spending at the government's discretion. The remaining fund balance, \$19,645,574 is nonspendable, restricted, committed, or assigned to indicate that it is unavailable for new spending because it has been specifically reserved for expenditure by grant agreements, City ordinances or intent of use.

The General Fund had total revenues (including transfers-in) of \$48,837,917 and expenditures (including transfers-out) of \$46,403,711, thereby increasing the General Fund's fund balance by \$2,434,206 to \$5,865,892.



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The General Fund is the chief operating fund of the City. At the end of 2016, the unassigned fund balance of the General Fund was \$2,252,057, while the total fund balance was \$5,865,892. The remainder of the fund balance is nonspendable or assigned to indicate that it is not available for new spending because it has been specifically reserved for expenditure by City ordinances or intent of use.

**Proprietary Funds** - The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Ridgewood Municipal Golf Course at the end of the year amounted to \$(533,694). Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### **GENERAL FUND BUDGETARY ANALYSIS**

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

During the course of 2016, the City amended its General Fund budget numerous times. All recommendations for a budget change come from the City Auditor to the Finance Committee of Council for review before going to the whole council for ordinance enactment on the change. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

For the General Fund, original and revised budgeted revenues were \$49,566,459 and \$48,218,570, respectively. Very conservative revenue projections at the beginning of the year played out as actual revenues were very close to projections. Actual revenues were \$49,350,341.

The City's ending unencumbered cash balance in the General Fund was \$3,234,024.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** - The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$88,494,758 (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, land improvements, buildings, equipment, vehicles, software, and infrastructure. As permitted under the implementation provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, the historical cost of infrastructure assets acquired, significantly reconstructed or that received significant improvements after January 1, 1980 have been included as part of governmental capital assets in the government-wide financial statements. The total decrease in the City's investment in capital assets for the current fiscal year was 2.42 percent (a 2.45 percent decrease for governmental activities and a 0.50 percent decrease for business-type activities). A summary of the City's capital assets, net of accumulated depreciation, is presented in the table on the following page:

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

	Governmental Activities		Business-Type Activities		Total
	2016	2015	2016	2015	
<b>Non-Depreciable</b>					
Land	\$7,737,770	\$7,591,870	\$1,078,077	\$1,078,077	\$8,815,847
Construction-in-Progress	1,792,009	2,572,252	-	-	1,792,009
<b>Total</b>	<b>9,529,779</b>	<b>10,164,122</b>	<b>1,078,077</b>	<b>1,078,077</b>	<b>11,242,199</b>
<b>Depreciable</b>					
Land improvements	533,490	485,837	263,700	263,700	797,190
Buildings	34,031,407	34,031,407	209,531	209,531	34,240,938
Equipment	12,892,643	12,747,041	835,094	812,210	13,727,737
Vehicles	13,526,847	13,327,171	42,900	42,900	13,569,747
Software	1,043,476	1,043,476	-	-	1,043,476
Infrastructure	85,398,850	83,230,619	-	-	85,398,850
<b>Total</b>	<b>147,426,713</b>	<b>144,865,551</b>	<b>1,351,225</b>	<b>1,328,341</b>	<b>148,777,938</b>
<b>Accumulated Depreciation</b>	<b>69,755,858</b>	<b>65,637,985</b>	<b>1,135,178</b>	<b>1,105,853</b>	<b>70,891,036</b>
<b>Total Capital Assets</b>	<b>\$87,200,634</b>	<b>\$89,391,688</b>	<b>\$1,294,124</b>	<b>\$1,300,565</b>	<b>\$88,494,758</b>
					<b>\$90,692,253</b>

City of Parma, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited

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

**Debt** - At the end of the current fiscal year, the City had \$23,782,770 in bonds, loans, capital leases and compensated absences outstanding with \$2,836,461 due within one year.

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

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

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

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

The City's overall legal debt margin was \$124,991,231 at December 31, 2016.

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

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

City of Parma, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited

Table 4: Summary Statement of Debt

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Special Assessment Bonds	\$47,281	\$64,066	\$-	\$-	\$47,281	\$64,066
General Obligation Bonds	13,160,000	12,340,000	-	-	13,160,000	12,340,000
Ohio Public Works Commission Loans	294,357	441,815	-	-	294,357	441,815
Ohio Water Development Authority Loans	3,691,132	4,222,049	-	-	3,691,132	4,222,049
Capital Leases	2,062,935	2,456,167	-	-	2,062,935	2,456,167
Compensated Absences	4,494,638	4,464,228	32,427	5,218	4,527,065	4,469,446
<b>Total</b>	<b>\$23,750,343</b>	<b>\$23,988,325</b>	<b>\$32,427</b>	<b>\$5,218</b>	<b>\$23,782,770</b>	<b>\$23,993,543</b>

City of Parma, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited

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***CURRENT FINANCIAL RELATED ACTIVITIES***

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

***CONTACTING THE OFFICE OF THE CITY AUDITOR***

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

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City of Parma, Ohio  
Statement of Net Position  
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in pooled cash and cash equivalents	\$17,532,495	\$8,471	\$17,540,966
Cash and cash equivalents in segregated accounts	1,444,618	9,550	1,454,168
Municipal income taxes receivable	6,393,482	-	6,393,482
Property taxes receivable	8,869,915	-	8,869,915
Special assessments receivable	1,685,095	-	1,685,095
Accrued interest receivable	858	-	858
Due from other governments	3,794,604	-	3,794,604
Materials and supplies inventory	693,518	7,790	701,308
Loans receivable	200,605	-	200,605
Capital assets, nondepreciable	9,529,779	1,078,077	10,607,856
Capital assets, depreciable, net	77,670,855	216,047	77,886,902
Total assets	<u>127,815,824</u>	<u>1,319,935</u>	<u>129,135,759</u>
<b>Deferred outflows of resources</b>			
Pension	20,985,510	196,519	21,182,029
Total deferred outflows of resources	<u>20,985,510</u>	<u>196,519</u>	<u>21,182,029</u>
<b>Liabilities</b>			
Accounts payable	368,423	7,075	375,498
Contracts payable	1,655	-	1,655
Claims and judgements payable	1,301,193	-	1,301,193
Accrued wages and benefits	818,645	5,972	824,617
Compensated absences payable	418,175	3,267	421,442
Loans payable	-	188,000	188,000
Due to other governments	785,748	4,306	790,054
Notes payable	2,453,000	-	2,453,000
Long-term liabilities:			
Due within one year	2,833,218	3,243	2,836,461
Net pension liability	73,740,627	497,326	74,237,953
Other amounts due in more than one year	20,917,125	29,184	20,946,309
Total liabilities	<u>103,637,809</u>	<u>738,373</u>	<u>104,376,182</u>
<b>Deferred inflows of resources</b>			
Property taxes	8,652,915	-	8,652,915
Pension	3,634,074	17,651	3,651,725
Total deferred inflows of resources	<u>12,286,989</u>	<u>17,651</u>	<u>12,304,640</u>
<b>Net position</b>			
Net investment in capital assets	67,944,929	1,294,124	69,239,053
Restricted for:			
Debt service	196,005	-	196,005
Security of persons and property	3,267,573	-	3,267,573
Transportation	1,558,821	-	1,558,821
Community environment	1,613,859	-	1,613,859
Basic utility services	129,989	-	129,989
Leisure time activities	756,685	-	756,685
Capital projects	538,847	-	538,847
Total restricted assets	<u>8,061,779</u>	<u>-</u>	<u>8,061,779</u>
Unrestricted	<u>(43,130,172)</u>	<u>(533,694)</u>	<u>(43,663,866)</u>
Total net position	<u>\$32,876,536</u>	<u>\$760,430</u>	<u>\$33,636,966</u>

See accompanying notes to the basic financial statements

City of Parma, Ohio  
Statement of Activities  
For the Year Ended December 31, 2016

	Net (Expense) Revenue and Changes in Net Position			
	Expenses	Program Revenues		Total
		Charges for Services	Operating Grants, Contributions and Interest	Business- Type Activities
		Governmental Activities	Governmental Activities	Business- Type Activities
<b>Governmental Activities</b>				
General government -				
Legislative and executive	\$32,013,016	\$9,282,369	\$1,889,446	\$-
Security of persons and property	30,968,761	2,751,474	1,142,248	(27,075,039)
Public health and welfare	319,876	-	-	(319,876)
Transportation	4,725,146	2,614	3,609,291	(1,113,241)
Community environment	7,074,966	2,248,439	6,603,747	1,777,220
Basic utility services	1,570,566	733,973	-	(836,593)
Leisure time activities	2,878,732	1,212,390	178,309	(1,488,033)
Interest and fiscal charges	689,204	-	-	(689,204)
Total governmental activities	80,240,267	16,231,259	13,423,041	(50,585,967)
<b>Business-Type Activities</b>				
Golf Course	941,829	869,408	-	(72,421)
Total primary government	\$81,182,096	\$17,100,667	\$13,423,041	(50,658,388)
<b>General Revenues</b>				
Property taxes levied for:				
General purposes				3,240,414
Special revenue				6,186,560
Debt service				114,884
Income taxes levied for:				
General purposes				30,826,901
Capital outlay				8,318,370
Grants and entitlements not restricted to specific programs				3,092,631
Investment earnings				3,838
Total General Revenues			51,783,598	51,783,598
Change in Net Position			1,197,631	(72,421)
Net Position at Beginning of Year			31,678,905	832,851
Net Position at End of Year			\$32,876,536	\$760,430

See accompanying notes to the basic financial statements



City of Parma, Ohio  
Balance Sheet - Governmental Funds  
December 31, 2016

	General	Debt Service	City Income Tax Capital Acquisitions	Police Levy
<b>Assets</b>				
Equity in pooled cash and cash equivalents	\$4,008,422	\$634,673	\$4,436,032	\$132,353
Cash and cash equivalents in segregated accounts	571	-	-	-
Municipal income taxes receivable	5,034,868	-	1,358,614	-
Property taxes receivable	3,042,947	118,553	-	2,370,670
Interfund receivable	319,117	-	2,917,193	-
Special assessments receivable	-	1,685,095	-	-
Accrued interest receivable	-	-	-	-
Due from other governments	1,621,269	9,140	-	182,792
Materials and supplies inventory	93,742	-	-	-
Loans receivable	93	-	-	-
<b>Total Assets</b>	<b>\$14,121,029</b>	<b>\$2,447,461</b>	<b>\$8,711,839</b>	<b>\$2,685,815</b>
<b>Liabilities</b>				
Accounts payable	\$126,337	\$-	\$83,030	\$-
Contracts payable	499	-	845	-
Interfund payable	-	448,668	-	-
Accrued wages and benefits	652,672	-	-	-
Compensated absences payable	351,329	-	-	-
Due to other governments	478,935	-	198,329	-
Notes payable	-	-	-	-
<b>Total Liabilities</b>	<b>1,609,772</b>	<b>448,668</b>	<b>282,204</b>	<b>-</b>
<b>Deferred inflows of resources</b>				
Property taxes	3,042,947	118,553	-	2,153,670
Unavailable revenue	3,602,418	1,684,235	683,398	182,792
<b>Total deferred inflows of resources</b>	<b>6,645,365</b>	<b>1,802,788</b>	<b>683,398</b>	<b>2,336,462</b>
<b>Fund Balance</b>				
Nonspendable	93,742	-	-	-
Restricted	-	196,005	-	349,353
Committed	-	-	7,746,237	-
Assigned	3,520,093	-	-	-
Unassigned (Deficit)	2,252,057	-	-	-
<b>Total fund balance</b>	<b>5,865,892</b>	<b>196,005</b>	<b>7,746,237</b>	<b>349,353</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$14,121,029</b>	<b>\$2,447,461</b>	<b>\$8,711,839</b>	<b>\$2,685,815</b>

See accompanying notes to the basic financial statements

City of Parma, Ohio  
Balance Sheet - Governmental Funds  
December 31, 2016

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Communications Center	Nonmajor Governmental Funds	Total Governmental Funds
\$151,857	\$7,302,526	\$16,665,863
—	1,444,047	1,444,618
—	—	6,393,482
—	3,337,745	8,869,915
—	—	3,236,310
—	—	1,685,095
—	858	858
—	1,981,403	3,794,604
—	599,776	693,518
—	12,605	12,698
<u>\$151,857</u>	<u>\$14,678,960</u>	<u>\$42,796,961</u>
\$—	\$139,758	\$349,125
—	311	1,655
—	2,599,642	3,048,310
—	161,704	814,376
—	66,846	418,175
—	107,832	785,096
—	2,453,000	2,453,000
—	5,529,093	7,869,737
—	3,337,745	8,652,915
—	1,256,364	7,409,207
—	4,594,109	16,062,122
—	599,776	693,518
—	5,573,372	6,118,730
151,857	1,415,139	9,313,233
—	—	3,520,093
—	(3,032,529)	(780,472)
151,857	4,555,758	18,865,102
<u>\$151,857</u>	<u>\$14,678,960</u>	<u>\$42,796,961</u>

City of Parma, Ohio  
Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
December 31, 2016

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Total Governmental Fund Balances		\$18,865,102
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		87,200,634
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Municipal Income Taxes	\$3,215,994	
Special Assessments	1,685,095	
Intergovernmental	2,508,118	7,409,207
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Position		(467,524)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(13,160,000)	
Special Assessment Bonds	(47,281)	
OPWC Loans	(294,357)	
OWDA Loans	(3,691,132)	
Compensated Absences	(4,485,987)	
Capital Leases Payable	(2,062,935)	(23,741,692)
The net pension liability is not due and payable in the current period; therefore the liability and related deferred inflows and outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	20,985,510	
Net Pension Liability	(73,740,627)	
Deferred Inflows - Pension	(3,634,074)	(56,389,191)
Net Position of Governmental Activities		\$32,876,536

See accompanying notes to the basic financial statements

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City of Parma, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended December 31, 2016

	General	Debt Service	City Income Tax Capital Acquisitions	Police Levy
<b>Revenues</b>				
Municipal income tax	\$30,746,479	\$-	\$8,296,675	\$-
Property and other taxes	3,240,414	114,884	-	2,280,846
Charges for services	760,287	-	1,161	-
Fees, license and permits	6,707,229	-	-	-
Fines and forfeitures	3,472,123	-	-	-
Intergovernmental	3,115,049	18,277	1,559,759	365,638
Donations	2,000	-	-	-
Rents	95,788	-	-	-
Special assessments	-	120,779	-	-
Interest	3,748	-	-	-
Other	3,592	-	62,100	-
<b>Total Revenues</b>	<b>48,146,709</b>	<b>253,940</b>	<b>9,919,695</b>	<b>2,646,484</b>
<b>Expenditures</b>				
<b>Current</b>				
Legislative and executive	15,644,031	23,508	4,039,709	-
Security of persons and property	23,353,892	-	-	1,109,366
Public health and welfare	319,876	-	-	-
Transportation	-	-	-	-
Community environment	782,724	-	-	-
Basic utility services	-	-	-	-
Leisure time activities	2,608,796	-	-	-
<b>Total Current Expenditures</b>	<b>42,709,319</b>	<b>23,508</b>	<b>4,039,709</b>	<b>1,109,366</b>
Capital outlay	23,492	-	502,381	354,174
Debt service	-	2,073,701	577,085	-
Principal retirement	-	311,504	41,890	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>42,732,811</b>	<b>2,408,713</b>	<b>5,161,065</b>	<b>1,463,540</b>
Excess of revenues over (under) expenditures	5,413,898	(2,154,773)	4,758,630	1,182,944
<b>Other financing sources(uses)</b>				
Proceeds of bonds	-	-	-	-
Proceeds of refunding bonds	-	5,580,000	-	-
Payment to refunded bond escrow agent	-	(5,902,784)	-	-
Sale of fixed assets	-	-	-	-
Note premium	-	7,388	-	-
Bond premium	-	359,054	-	-
Bond discount	-	(36,270)	-	-
Transfers - in	691,208	2,024,992	-	-
Transfers - out	(3,670,900)	-	(1,748,142)	(1,300,000)
Inception of capital leases	-	-	227,442	-
<b>Total other financing sources (uses)</b>	<b>(2,979,692)</b>	<b>2,032,380</b>	<b>(1,520,700)</b>	<b>(1,300,000)</b>
Net change in fund balance	2,434,206	(122,393)	3,237,930	(117,056)
Fund balances at beginning of year	3,431,686	318,398	4,508,307	466,409
Fund balances at end of year	<u>\$5,865,892</u>	<u>\$196,005</u>	<u>\$7,746,237</u>	<u>\$349,353</u>

See accompanying notes to the basic financial statements

Communications Center	Nonmajor Governmental Funds	Total Governmental Funds
\$-	\$-	\$39,043,154
-	3,905,714	9,541,858
-	2,636,045	3,397,493
-	77,414	6,784,643
-	526,173	3,998,296
-	11,460,822	16,519,545
-	131,157	133,157
-	837,303	933,091
-	1,050,484	1,171,263
-	90	3,838
-	10,746	76,438
-	20,635,948	81,602,776
-	2,150,049	21,857,297
37,696	7,535,759	32,036,713
-	-	319,876
-	4,926,279	4,926,279
-	6,529,505	7,312,229
-	1,674,859	1,674,859
-	600,862	3,209,658
37,696	23,417,313	71,336,911
206,022	470,524	1,556,593
-	43,590	2,694,376
50,436	24,268	428,098
294,154	23,955,695	76,015,978
(294,154)	(3,319,747)	5,586,798
2,360,000	-	2,360,000
-	-	5,580,000
-	-	(5,902,784)
-	67,540	67,540
-	493	7,881
250,822	-	609,876
-	-	(36,270)
-	5,688,502	8,404,702
-	(2,627,713)	(9,346,755)
-	-	227,442
2,610,822	3,128,822	1,971,632
2,316,668	(190,925)	7,558,430
(2,164,811)	4,746,683	11,306,672
\$151,857	\$4,555,758	\$18,865,102

City of Parma, Ohio  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2016

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Net Change in Fund Balances - Total Governmental Funds		\$7,558,430
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:		
Capital Outlay	\$1,926,819	
Depreciation	<u>(4,117,873)</u>	(2,191,054)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Municipal Income Taxes	102,117	
Intergovernmental	(474,354)	
Special Assessments	<u>(118,884)</u>	(491,121)
Other financing sources in the governmental funds increase long-term liabilities in the Statement of Net Position		
Inception of Capital Leases	(227,442)	
Issuance of G.O. Bonds	(7,940,000)	
Ohio Water Development Authority Loans	<u>(1,405)</u>	(8,168,847)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position		
		8,437,239
Internal Service Funds used by management are not reported in the city-wide Statement of Activities. Governmental fund expenditures and related Internal Service Fund revenues are eliminated. The net revenue (expense) of the Internal Service Funds is allocated among the governmental activities:		
Change in Net Position	<u>78,929</u>	78,929
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds		
Accrued Interest on Bonds	34,717	
Compensated Absences	(30,410)	
Other	<u>(1,082,127)</u>	(1,077,820)
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows		
		5,881,749
Except for amounts reported as deferred inflows and outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities		
		<u>(8,829,874)</u>
Change in Net Position of Governmental Activities		<u><u>\$1,197,631</u></u>

See accompanying notes to the basic financial statements

City of Parma, Ohio  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP) Basis and Actual  
General Fund  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Municipal income taxes	\$31,483,783	\$30,205,351	\$31,037,100	\$831,749
Property and other taxes	3,662,712	3,267,176	3,288,950	21,774
Charges for services	750,000	686,880	760,287	73,407
Fees, licenses, and permits	7,000,000	6,282,860	6,707,229	424,369
Fines and forfeitures	3,750,000	3,351,016	3,462,599	111,583
Intergovernmental	1,829,727	3,347,300	3,124,762	(222,538)
Donations	5,000	-	2,000	2,000
Rentals and leases	75,000	67,450	95,788	28,338
Interest	2,000	1,500	3,748	2,248
Royalties and commissions	5,000	5,800	3,592	(2,208)
<b>Total Revenues</b>	<b>48,563,222</b>	<b>47,215,333</b>	<b>48,486,055</b>	<b>1,270,722</b>
<b>Expenditures</b>				
<b>Current</b>				
Legislative and executive	16,704,706	17,158,757	16,650,728	508,029
Security of persons and property	24,637,847	24,613,487	23,461,259	1,152,228
Public health and welfare	319,876	319,876	319,876	-
Community environment	770,666	782,422	778,940	3,482
Leisure time activities	2,623,491	2,629,419	2,550,938	78,481
Total current expenditures	45,056,586	45,503,961	43,761,741	1,742,220
Capital outlay	75,000	75,230	60,125	15,105
<b>Total Expenditures</b>	<b>45,131,586</b>	<b>45,579,191</b>	<b>43,821,866</b>	<b>1,757,325</b>
Excess of revenues over(under) expenditures	3,431,636	1,636,142	4,664,189	3,028,047
<b>Other Financing Sources(Uses)</b>				
Advances-in	173,078	173,078	173,078	-
Advances-out	(199,000)	(199,000)	(319,518)	(120,518)
Transfers-in	830,159	830,159	691,208	(138,951)
Transfers-out	(3,948,161)	(3,948,161)	(3,670,900)	277,261
<b>Total Other Financing Sources(Uses)</b>	<b>(3,143,924)</b>	<b>(3,143,924)</b>	<b>(3,126,132)</b>	<b>17,792</b>
Net change in fund balance	287,712	(1,507,782)	1,538,057	3,045,839
Fund balance at beginning of year	1,426,828	1,426,828	1,426,828	-
Prior year encumbrances appropriated	269,139	269,139	269,139	-
Fund balance at end of year	<u>\$1,983,679</u>	<u>\$188,185</u>	<u>\$3,234,024</u>	<u>\$3,045,839</u>

See accompanying notes to the basic financial statements



City of Parma, Ohio  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP) Basis and Actual  
Police Levy Fund  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property and other taxes	\$2,251,223	\$2,251,300	\$2,313,903	\$62,603
Intergovernmental	365,000	365,000	365,581	581
<b>Total Revenues</b>	<b>2,616,223</b>	<b>2,616,300</b>	<b>2,679,484</b>	<b>63,184</b>
<b>Expenditures</b>				
<b>Current</b>				
Security of persons and property	1,126,222	1,126,708	1,114,964	11,744
Total current expenditures	1,126,222	1,126,708	1,114,964	11,744
Capital outlay	400,000	406,000	374,349	31,651
<b>Total Expenditures</b>	<b>1,526,222</b>	<b>1,532,708</b>	<b>1,489,313</b>	<b>43,395</b>
Excess of revenues over (under) expenditures	1,090,001	1,083,592	1,190,171	106,579
<b>Other Financing Sources (Uses)</b>				
Transfers-out	(1,300,000)	(1,300,000)	(1,300,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,300,000)</b>	<b>(1,300,000)</b>	<b>(1,300,000)</b>	<b>-</b>
Net change in fund balance	(209,999)	(216,408)	(109,829)	106,579
Fund balance at beginning of year	209,923	209,923	209,923	-
Prior year encumbrances appropriated	6,486	6,486	6,486	-
Fund balance at end of year	<u>\$6,410</u>	<u>\$1</u>	<u>\$106,580</u>	<u>\$106,579</u>

See accompanying notes to the basic financial statements

City of Parma, Ohio  
Statement of Fund Net Position - Proprietary Funds  
December 31, 2016

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	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
<b>Assets:</b>		
<b>Current Assets:</b>		
Equity in pooled cash and cash equivalents	\$8,471	\$866,632
Cash and cash equivalents in segregated accounts	9,550	-
Materials and supplies inventory	7,790	-
Total Current Assets	25,811	866,632
<b>Non-Current Assets:</b>		
Capital assets, non-depreciable	1,078,077	-
Capital assets, depreciable, net	216,047	-
Total Non-Current Assets	1,294,124	-
Total Assets	1,319,935	866,632
<b>Deferred Outflows of Resources:</b>		
Pension	196,519	-
Other	-	-
Total Deferred Outflows of Resources	196,519	-
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts payable	7,075	19,391
Claims and judgements payable	-	1,301,193
Accrued wages and benefits	5,972	3,799
Compensated absences payable	3,267	470
Interfund payable	188,000	-
Due to other governments	4,306	652
Total Current Liabilities	208,620	1,325,505
<b>Long-term Liabilities:</b>		
Net pension liability	497,326	-
Compensated absences	32,427	8,651
Total Long-term Liabilities	529,753	8,651
Total Liabilities	738,373	1,334,156
<b>Deferred Inflows of Resources:</b>		
Pension	17,651	-
<b>Net Position:</b>		
Net investment in capital assets	1,294,124	-
Unrestricted	(533,694)	(467,524)
Total Net Position	\$760,430	\$(467,524)

See accompanying notes to the basic financial statements

City of Parma, Ohio  
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds  
For the Year Ended December 31, 2016

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	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
<b><i>Operating Revenues:</i></b>		
Charges for services	\$511,169	\$8,771,346
Other	358,239	-
	869,408	8,771,346
<b><i>Operating Expenses:</i></b>		
Personal services	511,665	231,066
Contractual services	198,889	123,618
Claims	-	9,110,918
Materials and supplies	201,950	18,866
Depreciation	29,325	-
	941,829	9,484,468
Operating Income(Loss)	(72,421)	(713,122)
Income(Loss) Before Transfers	(72,421)	(713,122)
Transfers - In	-	792,051
Change in Net Position	(72,421)	78,929
Net Position at Beginning of Year	832,851	(546,453)
Net Position at End of Year	\$760,430	\$(467,524)

See accompanying notes to the basic financial statements

City of Parma, Ohio  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended December 31, 2016

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	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
<i><b>Cash Flows from Operating Activities:</b></i>		
Cash received from customers	\$511,169	\$—
Cash received from quasi-external operating transactions with other funds	—	8,771,346
Other operating revenues	358,279	—
Cash payments to suppliers for goods and services	(201,324)	—
Cash payments for claims	—	(8,911,642)
Cash payments for employee services and benefits	(480,120)	(229,541)
Cash payments for contractual services	(191,925)	(151,075)
	(3,921)	(520,912)
<i><b>Cash Flows from Noncapital Financing Activities:</b></i>		
Advances - in	188,000	—
Advances - out	(169,000)	—
Transfers - in	—	792,051
	19,000	792,051
<i><b>Cash Flows from Capital and Related Financing Activities:</b></i>		
Cash payments for capital outlay	(22,884)	—
	(22,884)	—
Net cash used in capital and related financing activities	(22,884)	—
Net increase (decrease) in cash and cash equivalents	(7,805)	271,139
Cash and cash equivalents, beginning of year	25,826	595,493
Cash and cash equivalents, end of year	\$18,021	\$866,632

*(continued)*

See accompanying notes to the basic financial statements

City of Parma, Ohio  
Statement of Cash Flows - Proprietary Funds - *continued*  
For the Year Ended December 31, 2016

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	Business-Type Activity - Golf Course	Governmental Activities - Internal Service Funds
<b><i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</i></b>		
Operating income (loss)	\$(72,421)	\$(713,122)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	29,325	—
<b><i>Change in Assets and Liabilities:</i></b>		
(Increase) in materials and supplies inventory	(1,758)	—
(Decrease) in accounts payable	(890)	(8,066)
Increase in accrued wages and benefits	2,909	664
Increase in compensated absences payable	28,861	1,445
(Decrease) in due to other governments	(121)	(584)
Increase in claims payable	—	198,751
(Increase) in deferred outflows of resources - pension	(123,459)	—
Increase in net pension liability	122,028	—
Increase in deferred inflows of resources - pension	11,058	—
Decrease in deferred outflows of resources - other	547	—
	<b>\$(3,921)</b>	<b>\$(520,912)</b>
Net Cash Used in Operating Activities	<b>\$(3,921)</b>	<b>\$(520,912)</b>

See accompanying notes to the basic financial statements

City of Parma, Ohio  
Statement of Fiduciary Assets and Liabilities - Agency Funds  
December 31, 2016

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	<u>Agency Funds</u>
<b><i>Assets:</i></b>	
Equity in pooled cash and cash equivalents	\$501,387
Cash and cash equivalents in segregated accounts	12,401
Cash and cash equivalents with fiscal and escrow agents	<u>393,382</u>
Total assets	<u><u>\$907,170</u></u>
<b><i>Liabilities:</i></b>	
Deposits held and due to others	<u>907,170</u>
Total liabilities	<u><u>\$907,170</u></u>
See accompanying notes to the basic financial statements	

**NOTE 1 - DESCRIPTION OF CITY OPERATIONS AND REPORTING ENTITY**

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

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

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

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements as of December 31, 2016 and for the year then ended have

City of Parma, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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

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

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

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

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

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

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

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

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



City of Parma, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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

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

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

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

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

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

***(d) - Police Levy Fund*** - The Police Levy Fund is used to account for activity associated with the police operating levy.

***(e) - Communications Center Fund*** - The Communications Center Fund is used to account for activity associated with the construction and improvement of the communications center.

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

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

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

City of Parma, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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

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

**(3) - Fiduciary Funds** - Fiduciary fund reporting focuses on net position and changes in net position. Private-purpose trust funds are used to account for trust arrangements that benefit individuals, private organizations, or other governments. For accounting measurement purposes, the private-purpose trust funds are accounted for in essentially the same manner as proprietary funds. During 2016, the City did not utilize any private-purpose trust funds. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. For accounting measurement purposes, the agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The City's significant agency funds are used to account for deposits related to the Parma Municipal Court, the Parma Public Housing Agency, contractors and developers, sales taxes, and vital records. Other fiduciary funds include pension trust funds and investment trust funds. During 2016, the City did not utilize any such trust funds. Fiduciary funds are not included in the government-wide statements.

### ***C - Measurement Focus***

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

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources along with current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

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

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

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

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

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

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

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

***(2) - Deferred Outflows/Inflows of Resources***

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance year 2016 operations. These amounts have been recorded as a deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, and certain other receivables that will not be collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

***(3) - Expenses/Expenditures***

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

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

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

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

City of Parma, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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

On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances at December 31 of the preceding year. Upon a determination by the City Auditor that the revenue to be collected by the City will be greater or less than the amount included in the official certificate, the City Auditor shall certify the amount of the excess or deficiency to the County Budget Commission, and if it is deemed reasonable by the Commission, the County Budget Commission shall certify an amended official certificate reflecting the deficiency or excess. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2016.

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

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

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

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

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

City of Parma, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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

The major differences between the budget basis and the GAAP basis are (1) revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis), (2) expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis) and, (3) in order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds.

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

Net Change in Fund Balance		
	General	Police Levy
GAAP basis	\$2,434,206	\$(117,056)
Increase(decrease) due to:		
Revenues accruals	512,424	33,000
Expenditure accruals	(1,408,573)	(25,773)
Budget basis	\$1,538,057	\$(109,829)

***F - Cash and Cash Equivalents***

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

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

City of Parma, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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***G - Investments***

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

The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by Star Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

***H - Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2016 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed. The City did not have any prepaid items as of December 31, 2016.

***I - Materials and Supplies Inventory***

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

***J - Capital Assets***

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

Assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Contributed fixed assets are recorded at their estimated fair market value on the date contributed.

As permitted under the implementation provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the historical cost of infras-

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

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

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

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

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

***K - Compensated Absences***

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

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

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

In the government-wide and proprietary funds financial statements, the entire amount of unpaid compensated absences is reported as a liability. A liability for compensated absences is accrued in the governmental



City of Parma, Ohio  
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funds only if the amount is currently due and payable at year-end. These amounts are recorded as compensated absences payable in the fund from which the employees who have accumulated leave are paid.

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

***L - Long-Term Obligations***

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

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

***M - Fund Balance***

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

***Nonspendable*** - The nonspendable fund balance category includes resources that cannot be spent because they are not inspendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

City of Parma, Ohio  
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***Committed*** - The committed fund balance classification includes resources that can be used only for specific purposes imposed by a formal action of the City Council, eg; a resolution or an ordinance. Those resources cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action used to commit those resources. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed resources are imposed by City Council, separate from the authorization to raise the underlying resource; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** - The assigned fund balance classification includes resources that can be used for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State statute.

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

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

#### ***N - Grants and Other Intergovernmental Revenues***

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

***O - Encumbrances***

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

***P - Interfund Transactions***

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

***Q - Operating Revenues and Expenses***

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

***R - Pension***

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

***S - Net Position***

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

City of Parma, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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

***T - Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2016.

***U - Statement of Cash Flows***

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

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

***NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES***

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. The implementation of GASB Statement No. 72 did not result in any change to the City's financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB 67 and 68*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for reporting periods beginning after June 15, 2016. The implementation of GASB Statement No. 73 did not result in any change to the City's financial statements.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Plans Other Than Pension Plans*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016. The City has not determined the impact, if any, that this Statement will have on its financial statements or disclosures.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. The City has not determined the impact, if any, that this Statement will have on its financial statements or disclosures.

City of Parma, Ohio  
Notes to the Basic Financial Statements  
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In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. The implementation of GASB Statement No. 76 did not result in any change to the City's financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2015. The implementation of GASB Statement No. 77 did not result in any change to the City's financial statements.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2015. The implementation of GASB Statement No. 78 did not result in any change to the City's financial statements.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26 and 40, which are effective for reporting periods beginning after December 15, 2015. The implementation of GASB Statement No. 79 did not result in any change to the City's financial statements.

City of Parma, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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**NOTE 4 - FUND BALANCES**

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

Fund Balances	General	Debt Service	City Income Tax Capital Acquisitions	Police Levy
Nonspendable				
Inventory	\$93,742	\$-	\$-	\$-
Total nonspendable	<u>\$93,742</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted for:				
Police operations	-	-	-	349,353
Police pension	-	-	-	-
Fire operations	-	-	-	-
Fire pension	-	-	-	-
EMS services	-	-	-	-
Public housing	-	-	-	-
Street improvement	-	-	-	-
Recreation	-	-	-	-
Other purposes	-	-	-	-
Debt service	-	196,005	-	-
Total restricted	<u>-</u>	<u>196,005</u>	<u>-</u>	<u>349,353</u>
Committed to:				
Justice center	-	-	-	-
Fire building	-	-	-	-
EMS services	-	-	-	-
Recreation	-	-	-	-
Utility services	-	-	-	-
Capital improvements	-	-	7,746,237	-
Other purposes	-	-	-	-
Total committed	<u>-</u>	<u>-</u>	<u>7,746,237</u>	<u>-</u>
Assigned to:				
2017 appropriations	3,520,093	-	-	-
Total assigned	<u>3,520,093</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned (deficit)	<u>2,252,057</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$5,865,892</u>	<u>\$196,005</u>	<u>\$7,746,237</u>	<u>\$349,353</u>

City of Parma, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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Communications Center	Nonmajor Governmental	Total Governmental
\$-	\$599,776	\$693,518
\$-	599,776	693,518
-	1,076,788	1,426,141
-	250,793	250,793
-	580,265	580,265
-	388,177	388,177
-	20,554	20,554
-	1,436,498	1,436,498
-	984,882	984,882
-	46,790	46,790
-	788,625	788,625
-	-	196,005
-	5,573,372	6,118,730
-	51,897	51,897
-	345,947	345,947
-	36,006	36,006
-	717,597	717,597
-	76,393	76,393
151,857	31,578	7,929,672
-	155,721	155,721
151,857	1,415,139	9,313,233
-	-	3,520,093
-	-	3,520,093
-	(3,032,529)	(780,472)
\$151,857	\$4,555,758	\$18,865,102

**NOTE 5 - COMPLIANCE AND ACCOUNTABILITY**

**Appropriations Exceeding Estimated Resources** - Contrary to Ohio Revised Code §5705.39, the Debt Service fund had final appropriations in excess of final estimated resources as reported on the *Official Certificate of Estimated Resources*.

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

Fund	Balance
Community Development Block Grant Fund	\$(52,960)
Title III Grant Fund	(11,488)
SAFER Grant Fund	(54,207)
Sewer Construction Fund	(1,760,393)
Street Improvements Fund	(648,869)
City Hall Improvements Fund	(504,612)
Medical Insurance Fund	(464,388)
Workers Compensation Insurance Fund	(107,009)

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

**NOTE 6 - POOLED AND SEGREGATED CASH AND INVESTMENTS**

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

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

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation or may pledge a pool of government securities the face value of which is at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of, or guaranteed by, the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement



City of Parma, Ohio  
Notes to the Basic Financial Statements  
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must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the City's name.

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

During 2016, the City complied with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits were made, as well as the provisions of the statutes concerning security deposits. The City will continue to monitor compliance with applicable statutes in the future pertaining to its deposits and investments. At December 31, 2016, all of the City's deposits and investments (excluding STAR Ohio) were held by local banks or financial institutions that qualify under Ohio Revised Code §135.14(M)(I).

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

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

At year-end, the carrying amount of the City's deposits was \$19,769,304 and the actual bank balance was \$21,015,384. The difference represents outstanding warrants payable and normal reconciling items. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, \$1,647,650 of the bank balance was insured or collateralized with securities held by the City or by its agent in the City's name. The remaining balance of \$19,367,734 was uninsured and uncollateralized, as defined by the GASB, (which includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department but not in the City's name).

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

It is the policy of the City to invest public funds in a manner which will provide the highest investment return with the maximum security, safety and preservation of principal while meeting the daily cash flow demands of the City. To the extent possible, the City attempts to match its investments with anticipated

City of Parma, Ohio  
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cash flow requirements.

At December 31, 2016, the fair value of the City's investments were:

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

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

At December 31, 2016, the City's investments had maturities as follows:

Maturity	Portfolio Weighted/ Average Maturity
Average of 51.6 Days	100.00%

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

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

**Reconciliation to Combined Balance Sheet Classification** - The following table summarizes the City's deposits and investments as of December 31, 2016:

Deposits	\$19,769,304
Investments	133,000
Total	\$19,902,304

City of Parma, Ohio  
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*Reconciliation to the Basic Financial Statements* - Total cash and investments are:

<b><i>Government-Wide Financial Statements</i></b>	
<b><i>Unrestricted</i></b>	
Equity in Pooled Cash and Cash Equivalents	\$17,540,966
Cash and Cash Equivalents in Segregated Accounts	1,454,168
	<u>18,995,134</u>
Total Government-Wide Financial Statements	<u>\$18,995,134</u>
 <b><i>Fund Financial Statements</i></b>	
<b><i>Balance Sheet - Governmental Funds</i></b>	
Equity in Pooled Cash and Cash Equivalents	\$16,665,863
Cash and Cash Equivalents in Segregated Accounts	1,444,618
 <b><i>Statement of Fund Net Position - Proprietary Funds</i></b>	
Equity in Pooled Cash and Cash Equivalents	875,103
Cash and Cash Equivalents in Segregated Accounts	9,550
	<u>18,995,134</u>
Total Governmental and Proprietary Funds	<u>18,995,134</u>
 <b><i>Statement of Fiduciary Assets and Liabilities</i></b>	
Equity in Pooled Cash and Cash Equivalents	501,387
Cash and Cash Equivalents in Segregated Accounts	12,401
Cash and Cash Equivalents with Fiscal and Escrow Agents	393,382
	<u>907,170</u>
Total Fund Financial Statements	<u>\$19,902,304</u>

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible property (used in business) located in the City. The 2016 levy was based upon an assessed valuation of approximately \$1,349,012,930. Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Under current procedures, the City's share is 7.50 mills, of which 0.10 mills is dedicated to debt service and 0.60 mills is dedicated to the payment of police and fire pension obligations. A revaluation of all property is required to be completed no less than every six years, with a statistical update every third year. Assessed values are established by the Cuyahoga County Fiscal Officer. The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City.

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

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

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

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

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The full tax rate for all City operations for the year ended December 31, 2016, was \$7.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property certified for tax year 2016 are as follows:

<u>Property Type</u>	<u>Assessed Value</u>
Real	\$1,306,277,150
Public Utility	<u>42,735,780</u>
Total Assessed Value	<u><u>\$1,349,012,930</u></u>

**NOTE 8 - INCOME TAXES**

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

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

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

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

In 2016, income tax proceeds were credited, on a cash basis, 78.75% to the General Fund and 21.25% to the City Income Tax Capital Acquisitions Fund.

City of Parma, Ohio  
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**NOTE 9 - DUE FROM OTHER GOVERNMENTS**

The following table summarizes the City's due from other governments at December 31, 2016:

Receivable	Amount
Local Government	\$923,559
Gasoline Tax	1,275,529
Permissive Motor Vehicle License Tax	273,318
Motor Vehicle License Registration	268,709
Homestead and Rollback	560,500
Liquor Permits	46,009
Parma Municipal Court	446,980
Total Due from Other Governments	\$3,794,604

**NOTE 10 - COMPENSATED ABSENCES**

**Accumulated Vacation** - City employees earn vacation leave at varying rates based upon length of service. Vacation leave is earned in one year and must be used in the next year. Any unused vacation leave is eliminated from the employee's vacation leave balance. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave to a maximum of the amount of vacation leave earned in the prior year but not yet used and, on a pro rata basis, vacation leave earned during the current year. At December 31, 2016, the total vacation obligation for the City as a whole amounted to \$1,681,670.

**Accumulated Unpaid Sick Leave** - City employees earn sick leave at the rate of four and six tenths hours per eighty hours of service. Sick leave is cumulative without limit. In the case of death or retirement, an employee (or his estate) with ten or more years of service (except five or more years of service for American Federation of State, County, and Municipal Employees union members) is paid for one-third of his accumulated sick leave not to exceed various ceilings depending on the department for which the employee worked. The total obligation for sick leave accrual for the City as a whole as of December 31, 2016, was \$1,582,977.

**Accumulated Overtime** - All City employees earn overtime for work performed in excess of regular hours. Limitations of maximum accumulation of overtime hours are specified in the union agreements. During 2016, overtime was accumulated at a rate of one and one-half hours of overtime for each excess hour worked. All unpaid, accumulated overtime is paid to employees upon separation or death. Overtime is paid at the current wage rate in effect when the overtime is paid. At December 31, 2016, accumulated, unpaid overtime for the City as a whole was \$1,684,330.

City of Parma, Ohio  
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**NOTE 11 - CAPITAL ASSET ACTIVITY**

Capital asset activity of the Governmental Activities for the year ended December 31, 2016 is summarized in the following table:

	Balances 12/31/2015	Additions	Disposals	Balances 12/31/2016
<i>Governmental Activities</i>				
<i>Nondepreciable Assets</i>				
Land	\$7,591,870	\$186,700	\$(40,800)	\$7,737,770
Construction in Progress	2,572,252	1,387,988	(2,168,231)	1,792,009
Total Nondepreciable Assets	<u>10,164,122</u>	<u>1,574,688</u>	<u>(2,209,031)</u>	<u>9,529,779</u>
<i>Depreciable Assets</i>				
Land Improvements	485,837	47,653	-	533,490
Buildings	34,031,407	-	-	34,031,407
Equipment	12,747,041	176,221	(30,619)	12,892,643
Vehicles	13,327,171	743,672	(543,996)	13,526,847
Software	1,043,476	-	-	1,043,476
Infrastructure	83,230,619	2,168,231	-	85,398,850
Total Depreciable Assets	<u>144,865,551</u>	<u>3,135,777</u>	<u>(574,615)</u>	<u>147,426,713</u>
Less				
<i>Accumulated Depreciation</i>				
Land Improvements	287,734	35,566	-	323,300
Buildings	10,900,977	655,892	(360)	11,556,509
Equipment	8,544,412	898,924	(26,583)	9,416,753
Vehicles	9,039,857	840,542	(516,685)	9,363,714
Software	926,233	32,698	-	958,931
Infrastructure	35,938,772	2,197,879	-	38,136,651
Total Accumulated Depreciation	<u>65,637,985</u>	<u>4,661,501</u>	<u>(543,628)</u>	<u>69,755,858</u>
Total Depreciable Assets, net	<u>79,227,566</u>	<u>(1,525,724)</u>	<u>(30,987)</u>	<u>77,670,855</u>
Total Governmental Activities, net	<u>\$89,391,688</u>	<u>\$48,964</u>	<u>\$(2,240,018)</u>	<u>\$87,200,634</u> (continued)

City of Parma, Ohio  
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Capital asset activity of the Business-Type Activities for the year ended December 31, 2016 is summarized in the following table:

	Balances 12/31/2015	Additions	Disposals	Balances 12/31/2016
<b><i>Business-Type Activities</i></b>				
<b><i>Nondepreciable Assets</i></b>				
Land	\$1,078,077	\$-	\$-	\$1,078,077
Total Nondepreciable Assets	1,078,077	-	-	1,078,077
<b><i>Depreciable Assets</i></b>				
Land Improvements	263,700	-	-	263,700
Buildings	209,531	-	-	209,531
Equipment	812,210	22,884	-	835,094
Vehicles	42,900	-	-	42,900
Total Depreciable Assets	1,328,341	22,884	-	1,351,225
Less				
<b><i>Accumulated Depreciation</i></b>				
Land Improvements	263,700	-	-	263,700
Buildings	115,208	2,994	-	118,202
Equipment	692,050	25,186	-	717,236
Vehicles	34,895	1,145	-	36,040
Total Accumulated Depreciation	1,105,853	29,325	-	1,135,178
Total Depreciable Assets, net	222,488	(6,441)	-	216,047
Total Business-Type Activities, net	<u>\$1,300,565</u>	<u>\$(6,441)</u>	<u>\$-</u>	<u>\$1,294,124</u>

During 2016, depreciation expense was charged as follows:

	Governmental Activities	Business-Type Activities
General Government	\$750,456	\$-
Security of Persons and Property	1,330,763	-
Transportation	2,309,914	-
Community Environment	54,905	-
Basic Utility Services	8,675	-
Leisure Time Activities	206,788	-
Golf Course	-	29,325
Total	<u>\$4,661,501</u>	<u>\$29,325</u>



**NOTE 12 - RISK MANAGEMENT**

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

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

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

A liability of \$150,000 provided by the City's Law Director has been recorded.

Changes in the Liability Insurance Self-Insurance Fund claims liability amount for 2014 through 2016 were:

<u>Year</u>	<u>January 1</u>	<u>Claims</u>	<u>Payments</u>	<u>December 31</u>
2014	\$360,000	\$-	\$(168,000)	\$192,000
2015	192,000	82,915	(44,915)	230,000
2016	230,000	-	(80,000)	150,000

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

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

A liability, estimated by the third party administrator, in the amount of \$957,484 has been recorded to reflect unpaid claims cost including incurred but not reported claims as of December 31, 2016. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense. Changes in the Medical Insurance Self-Insurance Fund claims liability amount for 2014 through 2016 were:

<u>Year</u>	<u>January 1</u>	<u>Claims</u>	<u>Payments</u>	<u>December 31</u>
2014	\$398,799	\$7,152,832	\$(7,015,170)	\$536,461
2015	536,461	7,744,249	(7,733,039)	547,671
2016	547,671	8,304,794	(7,894,981)	957,484

**Workers Compensation Insurance Fund (WCIF)** - Effective January 1, 2006, the City commenced participation in the Ohio Bureau of Workers' Compensation retrospective rating and payment plan under which the City assumes a portion of the risk in return for a possible reduction in premiums. Under this plan, the City pays a minimum premium for administrative services and stop-loss coverage plus the actual claims cost for any injured employees, with a claim limit of \$250,000. The City previously participated in the retroactive rating plan through December 31, 1996. A liability in the amount of \$193,709 based on information provided by the Ohio Bureau of Workers' Compensation, has been recorded to reflect unpaid claims cost, including incurred but not reported claims, as of December 31, 2016. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense.

All costs of workers claims, premiums, administrative costs and other additional assessments are paid out of the WCIF. Changes in the Workers' Compensation Insurance Fund claims liability amount for 2014 through 2016 were:

<u>Year</u>	<u>January 1</u>	<u>Claims</u>	<u>Payments</u>	<u>December 31</u>
2014	\$286,352	\$539,331	\$(672,035)	\$153,648
2015	153,648	792,824	(621,701)	324,771
2016	324,771	805,599	(936,661)	193,709

**NOTE 13 - INTERFUND TRANSACTIONS AND BALANCES**

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

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

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

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

**Interfund Balances** - Interfund balances at December 31, 2016 represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records, and (3) payments between funds are made. All are expected to be paid within one year.

A summary of interfund receivables and payables as of December 31, 2016 are:

Fund	Receivables	Payables
General Fund	\$319,117	\$-
City Income Tax Capital Acquisitions Fund	2,917,193	-
Debt Service Fund	-	448,668
Other Governmental Funds	-	2,599,642
Golf Course Fund	-	188,000
	\$3,236,310	\$3,236,310
Total	\$3,236,310	\$3,236,310

City of Parma, Ohio  
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A summary of interfund transfers as of December 31, 2016 are:

Fund	Transfers-In	Transfers-Out
General Fund	\$627,300	\$3,650,780
Debt Service Fund	2,024,992	-
City Income Tax Capital Acquisitions Fund	-	1,748,142
Police Levy Fund	-	1,300,000
Other Governmental Funds	5,660,940	2,600,150
Internal Service Funds	792,051	-
Total	<u>\$9,105,283</u>	<u>\$9,299,072</u>

The transfers-in and transfers-out do not balance due to a \$193,789 transfer from the General Fund to various agency funds.

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

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

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

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

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

City of Parma, Ohio  
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legally enforceable.

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

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

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

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

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

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

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

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

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

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	State and Local
<b><i>2016 Statutory Maximum Contribution Rates</i></b>	
Employer	14.0%
Employee	10.0%
<b><i>2016 Actual Contribution Rates</i></b>	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	2.0
	14.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$2,443,493 for 2016.

***Ohio Police & Fire Pension Fund (OP&F)*** - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

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

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

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

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

	Police	Firefighters
<b><i>2016 Statutory Maximum Contribution Rates</i></b>		
Employer	19.50%	24.0%
Employee:	12.25%	12.25%
<b><i>2016 Actual Contribution Rates</i></b>		
Employer:		
Pension	19.0%	23.50%
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50%	24.00%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$3,488,592 for 2016.

***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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:



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	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$24,142,027	\$50,095,926	\$74,237,953
Proportion of the Net Pension Liability	0.139378%	0.778725%	
Pension Expense	\$3,586,881	\$5,311,594	\$8,898,475

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b><i>Deferred Outflows of Resources</i></b>			
Net difference between projected and actual earnings on pension plan investments	\$7,096,248	\$8,153,696	\$15,249,944
City contributions subsequent to the measurement date	<u>2,443,493</u>	<u>3,488,592</u>	<u>5,932,085</u>
Total Deferred Outflows of Resources	<u>\$9,539,741</u>	<u>\$11,642,288</u>	<u>\$21,182,029</u>
<b><i>Deferred Inflows of Resources</i></b>			
Differences between expected and actual experience	\$466,471	\$140,667	\$607,138
Changes in employer proportion and differences between contributions and proportionate share of pension expense	<u>372,342</u>	<u>2,672,245</u>	<u>3,044,587</u>
Total Deferred Inflows of Resources	<u>\$838,813</u>	<u>\$2,812,912</u>	<u>\$3,651,725</u>

\$5,932,085 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	OPERS	OP&F	Total
Year Ending December 31:			
2017	\$1,380,218	\$1,605,104	\$2,985,322
2018	1,493,687	1,605,104	3,098,791
2019	1,777,648	1,605,104	3,382,752
2020	1,605,882	1,170,437	2,776,319
2021	-	(541,987)	(541,987)
Thereafter	-	(102,978)	(102,978)
Total	\$6,257,435	\$5,340,784	\$11,598,219

**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, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc Cola	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

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OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust 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 and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

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 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.31%
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	100.00%	5.28%

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

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

City of Parma, Ohio  
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***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 8 percent, as well as what the City's proportionate share of the net pension liability would be if it was calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$38,464,147	\$24,142,027	\$12,061,772

***Actuarial Assumptions - (OP&F)*** - OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate

City of Parma, Ohio  
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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&Fs target asset allocation as of December 31, 2015 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	-%	(0.25)%
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income (levered 2x)	20.00	1.62
Global inflation Protected (levered 2x)	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00%</u>	

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

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

City of Parma, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$66,069,815	\$50,095,926	\$36,564,468

**NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS**

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

In March 2016, OPERS received two favorable ruling from the Internal Revenue Service (IRS) which allowed OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016.

As of December 31, 2016, OPERS maintains a cost-sharing multiple-employer defined benefit post-employment healthcare trust, which funds multiple health care plans which include medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS-sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

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

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

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Notes to the Basic Financial Statements  
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OPERS issues a stand-alone financial report which may be obtained by visiting OPERS website at [www.opers.org](http://www.opers.org), writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by telephone at 614.222.5601 or 800.222.7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2016, state employers and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employer units contributed at 18.1 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units, and 18.1 percent of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code §401(h), *Qualified Pension, Profit-Sharing, and Stock Bonus Plans, Medical, etc., Benefits for Retired Employees and Their Spouses and Dependents*. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to fund health care for members of both the Traditional Plan and the Combined Plan was 2.0 percent for calendar year 2016. Effective January 1, 2017, the portion of employer contributions allocated to fund health care decreased to 1.0 percent for both plans, as recommended by the OPERS actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to fund post-employment benefits for the years ended December 31, 2016, 2015, and 2014 were \$420,556, \$409,224, and \$365,316 respectively. The full amount has been contributed for 2016, 2015, and 2014.

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

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

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50 percent and 24 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 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 healthcare in two separate accounts: (1) an account for health care benefits administered as an IRS Code §115, *Income of States, Municipalities, etc.* trust and (2) an account for Medicare Part B reimbursements administered under IRS Code §401(h), *Qualified Pension, Profit-sharing, and Stock Bonus Plans, Medical, etc., Benefits for Retired Employees and Their Spouses and Dependents*. Both accounts are part of the defined benefit pension plan administered by the OP&F Board of Trustees under authority granted by the Ohio Revised Code. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the IRS Code §115 trust and to the IRS Code §401(h) account as an employer contribution for retiree health care benefits. The portion of employer contributions allocated to fund health care was 0.50 percent of covered payroll from January 1, 2016 through December 31, 2016. The amount of employer contributions allocated to the healthcare plan each year is subject to the Board of Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of IRS Code §115 and IRS Code §401(h).

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

The City's contributions to OP&F for the years ended December 31, 2016, 2015, and 2014 were \$3,488,592, \$3,340,520, and \$3,574,220, respectively, of which \$82,686, \$78,808, and \$82,232, respectively was allocated to the healthcare plan.



City of Parma, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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**NOTE 16 - NOTES PAYABLE**

Notes payable activity for the year ended December 31, 2016 is summarized in the following table:

	<u>Principal Balance 12/31/2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Principal Balance 12/31/2016</u>
<i>Governmental Activities</i>				
<i>Notes Payable</i>				
1.00%-(2015) Capital Improvement Notes	\$1,540,000	\$-	\$1,540,000	\$-
1.00%-(2015) Dispatch Center Improvement Notes	2,538,000	-	2,538,000	-
1.25%-(2016) Various Purpose Notes	<u>-</u>	<u>2,453,000</u>	<u>-</u>	<u>2,453,000</u>
 Total Notes Payable	 <u>\$4,078,000</u>	 <u>\$2,453,000</u>	 <u>\$4,078,000</u>	 <u>\$2,453,000</u>

All notes are backed by the full faith and credit of the City and mature within one year. The notes payable of \$2,453,000, which were issued for the upgrade and improvement of the City's safety dispatch center are included on the Balance Sheet - Governmental Funds and on the Statement of Net Position.

**NOTE 17 - LONG-TERM OBLIGATIONS**

Long-term obligation activity for the year ended December 31, 2016 is summarized in the following table:

City of Parma, Ohio  
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	Original Issue	Principal Balance 12/31/2015	Increase	Decrease	Principal Balance 12/31/2016	Amount Due Within One Year
<b>Governmental Activities</b>						
<b>Special Assessment Bonds</b>						
3.790%-(1990 OWDA) Bruening Drive	\$185,005	\$56,391	\$0	\$11,721	\$44,670	\$6,028
4.120%-(1997 OWDA) Burden Drive	65,984	7,675	0	5,064	2,611	2,611
Total Special Assessment Bonds	250,989	64,066	0	16,785	47,281	8,639
<b>General Obligation (G.O.) Bonds</b>						
<b>Unvoted Bonds</b>						
5.402%-(1999) Justice Center Bonds	1,610,000	470,000	0	110,000	360,000	115,000
4.070%-(2006) Refunding Bonds	10,200,000	6,335,000	0	6,335,000	0	0
4.878%-(2006) Various Purpose Bonds	560,000	375,000	0	30,000	345,000	30,000
1.500%-(2013) Park Acquisition Refunding Bonds	980,000	490,000	0	215,000	275,000	220,000
2.215%-(2013) Facility Refunding Bonds	4,785,000	4,670,000	0	430,000	4,240,000	435,000
3.861%-(2016) Dispatch Center Improvement Bonds	2,360,000	0	2,360,000	0	2,360,000	85,000
2.924%-(2016) Facility Refunding Bonds	5,580,000	0	5,580,000	0	5,580,000	635,000
Total Unvoted G.O. Bonds	26,075,000	12,340,000	7,940,000	7,120,000	13,160,000	1,520,000
Total G.O. Bonds		12,340,000	7,940,000	7,120,000	13,160,000	1,520,000
<b>Ohio Public Works Commission Loans</b>						
0%-(1995) West 24th Street Watermain	70,711	2,998	0	2,998	0	0
0%-(1996) Brookpark Road Watermain	385,263	38,527	0	19,263	19,264	9,632
0%-(1997) State Road Watermain III	250,242	25,026	0	12,512	12,514	6,256
0%-(1999) State Road Sewer Rejuvenation	1,197,683	149,712	0	59,884	89,828	29,942
0%-(1999) Ridge Road Watermain II	383,897	76,778	0	19,195	57,583	9,597
0%-(1999) Gabriella Drive Watermain	383,825	76,770	0	19,191	57,579	9,596
0%-(1999) Chestnut Hills Sanitary Sewer	288,298	72,004	0	14,415	57,589	7,207
Total Ohio Public Works Commission Loans	2,959,919	441,815	0	147,458	294,357	72,230

City of Parma, Ohio  
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	Original Issue	Principal Balance 12/31/2015	Increase	Decrease	Principal Balance 12/31/2016	Amount Due Within One Year
<b>Ohio Water Development</b>						
<b>Authority Loans</b>						
4.040%-(1999) Chestnut Hills Sewer	1,901,141	157,695	0	157,695	0	0
4.120%-(1999) Brookpark/West 60th Sewer	306,381	36,355	0	23,989	12,366	12,366
4.120%-(1999) Ridge Road Watermain	737,688	113,256	0	55,474	57,782	28,597
4.120%-(1999) State Road Watermain	1,095,912	168,254	0	82,413	85,841	42,484
4.120%-(1999) Broadview Road Sewer	178,917	33,347	0	12,932	20,415	6,667
3.910%-(1999) Brookpark/Roseside Sewer	110,112	22,404	0	7,181	15,223	3,696
3.250%-(2011) Grantwood/Ridgewood Sewer	104,566	86,538	0	4,374	82,164	2,240
3.250%-(2011) Bradenton Boulevard Sewer	260,984	215,988	0	10,917	205,071	5,592
3.250%-(2011) Manhattan Avenue Sewer	111,548	90,002	1,405	3,757	87,650	2,390
0.000%-(2014) West Ridgewood Sewer	3,471,800	3,298,210	0	173,590	3,124,620	86,795
Total Ohio Water Development Authority Loans	8,279,049	4,222,049	1,405	532,322	3,691,132	190,827
<b>Other General Long-Term Obligations</b>						
Capital Leases		2,456,167	227,442	620,674	2,062,935	592,923
Compensated Absences		4,464,228	152,186	121,776	4,494,638	448,599
Total Other General Long-Term Obligations		6,920,395	379,628	742,450	6,557,573	1,041,522
<b>Net Pension Liability</b>						
OPERS		16,999,586	6,645,115	-	23,644,701	-
OP&F		43,588,215	6,507,711	-	50,095,926	-
Total Net Pension Liability		60,587,801	13,152,826	-	73,740,627	-
Total All Governmental Activities Obligations		\$84,576,126	\$21,473,859	\$8,559,015	\$97,490,970	\$2,833,218
<b>Business-Type Activities</b>						
Compensated Absences		\$5,218	\$27,209	-	\$32,427	\$3,243
Net Pension Liability - OPERS		375,298	122,028	-	497,326	-
Total Business-Type Activities Long-Term Obligations		\$380,516	\$149,237	-	\$529,753	\$3,243

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

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

The City's overall legal debt margin was \$124,991,231 at December 31, 2016.

Principal and interest requirements to retire the City's governmental-activities general obligation bonds, special assessment bonds, O.W.D.A. loans and O.P.W.C. loans at December 31, 2016 are:

	G. O. Bonds		S. A. Bonds		O.W.D.A. Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$1,520,000	\$377,525	\$8,639	\$900	\$190,827	\$9,567
2018	1,390,000	339,370	12,400	1,348	288,440	13,107
2019	1,360,000	308,850	12,875	874	199,139	10,252
2020	1,265,000	268,750	13,367	382	195,931	9,521
2021	1,305,000	234,750	0	0	196,663	8,846
2022-2026	4,935,000	629,389	0	0	995,160	33,293
2027-2031	625,000	229,000	0	0	1,017,412	12,755
2032-2036	760,000	93,800	0	0	607,560	0
<b>Total</b>	<b>\$13,160,000</b>	<b>\$2,481,434</b>	<b>\$47,281</b>	<b>\$3,504</b>	<b>\$3,691,132</b>	<b>\$97,341</b>

  

	O.P.W.C. Loans		Total	
	Principal	Interest	Principal	Interest
2017	\$72,230	\$0	\$1,791,696	\$387,992
2018	128,573	0	1,819,413	353,825
2019	52,801	0	1,624,815	319,976
2020	33,608	0	1,507,906	278,653
2021	7,145	0	1,508,808	243,596
2022-2026	0	0	5,930,160	662,682
2027-2031	0	0	1,642,412	241,755
2032-2036	0	0	1,367,560	93,800
<b>Total</b>	<b>\$294,357</b>	<b>\$0</b>	<b>\$17,192,770</b>	<b>\$2,582,279</b>

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

The assets recorded by the City under capital leases as of December 31, 2016 are:

Asset	Governmental Activities
Equipment	\$301,608
Vehicles	3,209,832
Less:	
Accumulated depreciation	(1,153,192)
Carrying value	\$2,358,248

Fully depreciated assets were removed from the above listing.

Future minimum lease payments and the present value of the minimum lease payments as of December 31, 2016 are:

Year	Governmental Activities
2017	\$631,634
2018	548,604
2019	371,154
2020	222,506
2021	211,990
2022	180,639
Total minimum lease payments	2,166,527
Amount representing interest	(103,592)
Present value of minimum lease payments	\$2,062,935

On March 23, 2006, the City issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund the Series 1998 Justice Center General Obligation Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. On December 31, 2016, \$5,690,000 of bonds outstanding are considered defeased.

City of Parma, Ohio  
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For the Year Ended December 31, 2016

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On May 15, 2013, the City issued general obligation bonds (Series 2013 Park Acquisition Refunding Bonds) to advance refund the Series 2003 Park Acquisition General Obligation Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. On December 31, 2016, \$1,315,000 of bonds outstanding are considered defeased.

On May 15, 2013, the City issued general obligation bonds (Series 2013 Municipal Facility Refunding Bonds) to advance refund the Series 2005 Fire Station Improvement General Obligation Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. On December 31, 2016, \$3,890,000 of bonds outstanding are considered defeased.

On November 22, 2016, the City issued general obligation bonds (Series 2016 Municipal Facility Refunding Bonds) to advance refund the Series 2006 Refunding Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. On December 31, 2016, \$5,580,000 of bonds outstanding are considered defeased.

On November 22, 2006, at the request of the Cuyahoga County General Health District (the District), the City Council authorized and approved the defeasance of \$2,395,000 of the 2003 Health District Bonds scheduled to mature over the next 15 years. The District placed unrestricted available funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the outstanding bonds. On December 31, 2016, \$1,185,000 of bonds outstanding are considered defeased.

**Conduit Debt Obligations** - To assist the PRL Corporation (the "Corporation"), an Ohio corporation wholly owned by the Parma Community General Hospital Association (also known as University Hospitals Parma Medical Center), in financing the costs of acquiring the Medical Arts Center IV, the City of Parma issued \$9,140,000 of Taxable Economic Development Revenue Bonds (the "Bonds"). The Bonds are special obligations of the City, payable solely from revenues of the Corporation. The bonds do not and shall not constitute a debt or pledge of the faith and credit or the taxing power of the City or State or any political subdivision of the State and accordingly have not been reported in the accompanying financial statements. At December 31, 2016 the Bonds outstanding aggregated \$6,620,000.

To assist the Sheet Metal Workers Local #33 Cleveland District Joint Apprenticeship and Training Fund (the "Fund"), an Ohio nonprofit organization, to finance the acquisition, construction, and equipping of a training facility, the City of Parma issued \$3,500,000 of Taxable Economic Development Revenue Bonds (the "Bonds"). The Bonds are special obligations of the City, payable solely from revenues of the Fund. The bonds do not and shall not constitute a debt or pledge of the faith and credit or the taxing power of the City or State or any political subdivision of the State and accordingly have not been reported in the accompanying financial statements. At December 31, 2016 the Bonds outstanding aggregated \$2,700,000.

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

accompanying financial statements. At December 31, 2016 the Bonds outstanding aggregated \$4,165,000.

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

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

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

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

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

**NOTE 19 - CONTINGENCIES**

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

City of Parma, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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As of December 31, 2016, the amount of claims against the City for which an unfavorable outcome is deemed to be reasonably possible, aggregated \$150,000 for governmental funds.

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

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

***NOTE 20 - TAX ABATEMENT DISCLOSURES***

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

***(1) - Community Reinvestment Area (CRA)*** programs are an economic development tool administered by municipal and county governments that provide property tax exemptions for property owners who renovate existing or construct new buildings. CRAs are areas in which property owners can receive tax incentives for investing in real property improvements. These programs permit municipalities or counties to designate areas where investment has been discouraged as a CRA to encourage revitalization of the existing housing stock and the development of new structures. The total amount of taxes abated through CRA programs during 2016 was \$0.

***(2) - Enterprise Zone*** programs are an economic development tool administered by municipal and county governments that provide real property tax exemptions to businesses making investments in local communities. Enterprise Zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone program can provide tax exemptions for a portion of the value of new real property investment when the investment is made in conjunction with a project that includes job creation. Existing land values and existing building values are not eligible (except as noted in rare circumstances). Local communities may offer tax incentives for non-retail projects that are established or expanding operations in the community. Real property investments are eligible for tax incentives. The total amount of taxes abated through Enterprise Zone programs during 2016 was \$0.

***NOTE 21 - SUBSEQUENT EVENTS***

On July 26, 2017, the City issued \$4,953,000 of 2.00% Various Purpose Notes maturing July 26, 2018 to retire the City's 1.250% \$1,953,000 notes issued July 27, 2016 and \$3,000,000 for the reconstruction and resurfacing of roads, highways and streets within the City.



City of Parma, Ohio  
 Required Supplementary Information  
 Schedule of the City's Proportionate Share of the Net Pension Liability  
 Ohio Public Employers Retirement System - Traditional Plan  
 Last Three Years <sup>1, 2</sup>

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

<sup>1</sup> Information prior to 2013 is not available

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

City of Parma, Ohio  
 Required Supplementary Information  
 Schedule of the City's Proportionate Share of the Net Pension Liability  
 Ohio Police and Fire Pension Fund  
 Last Three Years <sup>1, 2</sup>

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

<sup>1</sup> Information prior to 2014 is not available

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

City of Parma, Ohio  
Required Supplementary Information  
Schedule of City Contributions  
Ohio Public Employers Retirement System - Traditional Plan  
Last Four Years <sup>1</sup>

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

<sup>1</sup> Information prior to 2013 is not available

City of Parma, Ohio  
 Required Supplementary Information  
 Schedule of City Contributions  
 Ohio Police and Fire Pension Fund  
 Last Four Years <sup>1</sup>

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

<sup>1</sup> Information prior to 2013 is not available

City of Parma  
Cuyahoga County  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2016

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Entity Number	Federal CFDA Number	Federal Expenditures	Non-Cash Expenditures
<b><u>U.S. Department of Health and Human Services</u></b>				
<i>Passed Through Western Reserve Area Agency on Aging:</i>				
Aging Cluster:				
Special Programs for the Aging - Title III-B	N/A	93.044	\$116,515	\$0
Special Programs for the Aging - Title III-C1	N/A	93.045	0	63,007
Special Programs for the Aging - Title III-C2	N/A	93.045	29,457	28,436
Total Special Programs for the Aging - Title III-C			<u>29,457</u>	<u>91,443</u>
Nutrition Services Incentive Program	N/A	93.053	0	9,114
Total Aging Cluster			<u>145,972</u>	<u>100,557</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>145,972</u>	<u>100,557</u>
<b><u>U.S. Department of Justice</u></b>				
Direct Program:				
Bulletproof Vest Partnership Program 2014	N/A	16.607	5,297	0
Bulletproof Vest Partnership Program 2015	N/A	16.607	4,933	0
Total Bulletproof Vest Partnership Program			<u>10,230</u>	<u>0</u>
<i>Passed Through the State of Ohio, Office of the Attorney General:</i>				
Victims of Crime Act Grant 2016	2016-VOCA-19811412	16.575	37,771	0
Victims of Crime Act Grant 2017	2017-VOCA-43551392	16.575	6,750	0
Total Victims of Crime Act Grant			<u>44,521</u>	<u>0</u>
<b>Total U.S. Department of Justice</b>			<u>54,751</u>	<u>0</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Direct Program:				
Community Development Block Grant 2016	N/A	14.218	913,413	0
<b>Total U.S. Department of Housing and Urban Development</b>			<u>913,413</u>	<u>0</u>
<b><u>U.S. Department of Transportation</u></b>				
<i>Passed through Ohio Department of Public Safety:</i>				
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons - Cuyahoga County DUI Prevention Task Force 2016				
	OVITF-2016-18-00-00-00397-00	20.608	11,838	0
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons - Cuyahoga County DUI Prevention Task Force 2017				
	OVITF-2017-18-00-00-00449-00	20.608	1,872	0
<b>Total U.S. Department of Transportation</b>			<u>13,710</u>	<u>0</u>
<b><u>U.S. Department of Homeland Security</u></b>				
Direct Programs:				
Assistance to Firefighters Grant 2014	N/A	97.044	85,910	0
Staffing For Adequate Fire & Emergency Response 2014	N/A	97.083	384,068	0
<b>Total U.S. Department of Homeland Security</b>			<u>469,978</u>	<u>0</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<u>\$ 1,597,824</u>	<u>\$ 100,557</u>

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

**CITY OF PARMA  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Parma (the City's) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D- MATCHING REQUIREMENTS**

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

CFDA – Catalog of Federal Domestic Assistance.

N/A – Not applicable.



# Dave Yost • Auditor of State

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

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parma, Cuyahoga County, Ohio (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 10, 2018. Our report refers to other auditors who audited the financial statements of the Parma Public Housing Agency, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-002.

***City's Response to Finding***

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 10, 2018





# Dave Yost • Auditor of State

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

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

To the Members of Council:

### ***Report on Compliance for the Major Federal Program***

We have audited the City of Parma's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Parma's major federal program for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

The City's basic financial statements include the operations of the Parma Public Housing Agency, which received \$5,354,584 in federal awards which is not included in the City's Schedule of Expenditures of Federal Awards during the year ended December 31, 2016. Our audit of Federal awards, described below, did not include the operations of the Parma Public Housing Agency because the City engaged another auditor to audit its Federal award programs in accordance with the Uniform Guidance.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

***Opinion on the Major Federal Program***

In our opinion, the City of Parma complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2016.

***Report on Internal Control Over Compliance***

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

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

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

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 10, 2018

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**CITY OF PARMA  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDING NUMBER 2016-001**

**Accounting and Financial Reporting – 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.

**CITY OF PARMA  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2016  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001 (Continued)**

**Accounting and Financial Reporting - Material Weakness (Continued)**

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

- The City did not present the deferred inflows, deferred outflows and pension expense related to the Accounting and Financial Reporting for pensions correctly. The amounts reported on the financial statements and notes to the financial statements were prior year amounts. Deferred inflows related to pension were understated by 91.64%, deferred outflows related to pension were understated by 59.39% and pension expense was understated by 30.90%. These corrections were reflected in the financial statements and footnotes.
- The City authorized and issued Facility Refunding Bonds in November 2016 totaling \$5,580,000. The proceeds of these refunding bonds were not presented on the Governmental Fund Financial Statements. These corrections were reflected in the financial statement and footnotes.
- The City understated Principal Retirement in the Debt Service Fund by \$6,003,970. The majority of this variance was due in part to the City not recording the retirement of the refunded bond on the Governmental Fund Financial Statements. These corrections were reflected in the financial statements and footnotes.

The City failed to present this correctly because of the lack in training of Governmental Accounting Standards Board Statements No. 34 and No. 68.

The lack of controls over financial reporting and footnote disclosure resulted in material errors and irregularities that decrease the reliability of financial data.

We recommend the City's management become more familiar with the contents of their financial statements to help ensure all items are being properly recognized and recorded. The City should prepare the Accounting and Financial Reporting for pensions in accordance with Governmental Accounting Standards Board Statement No. 68. Additionally, the City should prepare their Financial Statements in accordance with Governmental Accounting Standards Board Statement No. 34.

**Official's Response:**

We recognize the finding and will implement procedures based on the recommendation.

CITY OF PARMA  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2016  
(Continued)

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

**FINDING NUMBER 2016-002**

**Appropriations Limited by Estimated Resources - Material Weakness and Noncompliance Finding**

Ohio Rev. Code § 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The City's legal level of control is at the fund/department level (personal services and other expenditures).

The following fund had appropriations exceeding estimated resources at the legal level of budgetary control at December 31, 2016:

<b>Fund</b>	<b>Appropriations</b>	<b>Estimated Resources</b>	<b>Variance</b>
Debt Service Fund	\$8,848,048	\$3,592,240	(\$4,895,806)

The City did not follow the provisions of Ohio Rev. Code § 5705.41(A) and include the appropriated amounts for the \$5,580,000 bond issue and \$359,054 premium on the bond issue on the amended certificate.

This weakness could allow expenditures to exceed total available fund balances plus current year revenues, which would result in negative fund balances.

We recommend the City include the appropriated amounts for authorized bond issues on the amended certificate.

**Official's Response:**

We recognize the finding and will implement procedures based on the recommendation.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**DECEMBER 31, 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	We recognize the finding and will implement procedures based on the recommendation	2018	Brian Day
2016-002	We recognize the finding and will implement procedures based on the recommendation	2018	Brian Day





# Dave Yost • Auditor of State

CITY OF PARMA

CUYAHOGA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 24, 2018