

CITY OF PARMA HEIGHTS, OHIO
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999

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YEAR ENDED DECEMBER 31, 1999

CITY OF PARMA HEIGHTS, OHIO

TABLE OF CONTENTS

	<u>Page</u>
Independent auditor's report	1
General purpose financial statements	
Combined balance sheet - all fund types and account groups	2
Combined statement of revenues, expenditures, and changes in fund balances - all governmental fund types and expendable trust fund	4
Combined statement of revenues, expenditures, and changes in fund balances - budget and actual (non-GAAP budgetary basis) - all governmental fund types	5
Notes to the general purpose financial statements	7
Supplemental auditor's report	
Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with "Government Auditing Standards"	28



STATE OF OHIO
OFFICE OF THE AUDITOR

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The Honorable Mayor and
Members of City Council
City of Parma Heights, Ohio

We have reviewed the Independent Auditor's Report of the City of Parma Heights, Cuyahoga County, prepared by Costin + Company, for the audit period January 1, 1999 to December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Parma Heights is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized flourish that loops around the text.

JIM PETRO
Auditor of State

June 30, 2000



COSTIN + COMPANY

Certified Public Accountants
35945 Center Ridge Road
North Ridgeville, OH 44039

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of City Council
City of Parma Heights, Ohio

We have audited the accompanying general purpose financial statements of the City of Parma Heights, Ohio, as of and for the year ended December 31, 1999 as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Parma Heights' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Parma Heights as of December 31, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with "Government Auditing Standards", we have also issued our report dated June 15, 2000 on our consideration of the City of Parma Heights' internal control over financial reporting and on our test of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

North Ridgeville, Ohio
June 15, 2000

Costin + Company

CITY OF PARMA HEIGHTS, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and other debits				
Equity in pooled cash and equivalents	\$ 1,081,985	\$ 154,998	\$ 38,991	\$ 2,812,573
Cash and investments with fiscal agents	-	-	557,697	-
Receivables				
Taxes	2,381,389	317,787	436,234	144,449
Special assessments	-	-	44,640	-
Accounts and other	17,592	-	-	-
Due from other governments	93,014	43,381	-	-
Due from other funds	236	17,316	-	-
Inventories and supplies	117,730	14,211	-	-
Prepaid and deferred expenses	64,227	767	-	319
Fixed assets	-	-	-	-
Amount available for debt service	-	-	-	-
Amount to be provided for debt	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Total assets and other debits	\$ 3,756,173	\$ 548,460	\$ 1,077,562	\$ 2,957,341

The accompanying notes are an integral part of these financial statements.

CITY OF PARMA HEIGHTS, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, fund equity and other credits				
Liabilities				
Accounts and contracts payable	\$ 162,148	\$ 21,678	\$ -	\$ 508,435
Accrued salaries and wages	45,308	18,430	-	-
Accrued interest	-	-	-	16,724
Due to other governments	135,721	6,812	-	-
Due to other funds	-	-	-	-
Matured bonds and coupons payable	-	-	29,242	-
Due to others	-	-	-	-
Deferred revenue	1,816,391	282,477	432,403	128,399
Notes payable	-	-	-	2,750,000
Loans payable	-	-	-	-
Bonds payable	-	-	-	-
General obligations	-	-	-	-
Special assessments	-	-	-	-
Compensated absences payable	2,726	912	-	-
Total liabilities	2,162,294	330,309	461,645	3,403,558
Fund equity and other credits				
Investment in general fixed assets	-	-	-	-
Fund balances	-	-	-	-
Reserved for prepaid items	64,227	767	-	319
Reserved for encumbrances	13,408	1,116	-	315,378
Reserved for inventory	117,730	14,211	-	-
Reserved for debt service	-	-	615,917	-
Designated for self-insurance	116,059	-	-	-
Undesignated	1,282,455	202,057	-	(761,914)
Total fund equity and other credits	1,593,879	218,151	615,917	(446,217)
Total liabilities, fund equity and other credits	\$ 3,756,173	\$ 548,460	\$ 1,077,562	\$ 2,957,341

The accompanying notes are an integral part of these financial statements.

Fiduciary Fund Types		Account Groups		
Trust and Agency	General Fixed Assets	General Long-term Debt	Totals (Memorandum Only)	
\$ 140,164	\$ -	\$ -	\$ 4,228,711	
-	-	-	557,697	
-	-	-	3,279,859	
-	-	-	44,640	
-	-	-	17,592	
-	-	-	136,395	
-	-	-	17,552	
-	-	-	131,941	
-	-	-	65,313	
-	13,199,342	-	13,199,342	
-	-	615,917	615,917	
-	-	2,383,724	2,383,724	
-	-	668,987	668,987	
\$ 140,164	\$ 13,199,342	\$ 3,668,628	\$ 25,347,670	

CITY OF PARMA HEIGHTS, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND

FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Local taxes	\$ 8,258,248	\$ 273,706	\$ 376,119	\$ 124,411
Intergovernmental revenue	1,493,446	610,730	56,757	18,794
Special assessments	-	-	39,528	25,708
Charges for services	5,625	490,167	-	-
Fines, licenses, and permits	247,121	-	-	-
Interest	132,615	-	14,100	8,968
Miscellaneous	100,946	35,072	-	-
Total revenues	10,238,001	1,409,675	486,504	177,881
Expenditures				
Current				
Security of persons and property	5,602,277	191,646	-	-
Public health and welfare	277,753	-	-	-
Leisure time activities	262,044	802,722	-	-
Community environment	363,422	43,775	-	-
Basic utility services	626,274	-	-	-
Transportation	1,068,473	505,836	-	-
General government	1,572,478	2,386	-	-
Capital outlay	-	-	-	2,538,321
Debt service				
Principal	-	-	351,907	-
Interest and fiscal charges	-	-	135,231	16,724
Total expenditures	9,772,721	1,546,365	487,138	2,555,045
Excess (deficiency) of revenues over expenditures	465,280	(136,690)	(634)	(2,337,164)
Other financing sources (uses)				
Operating transfers-in	-	155,000	-	709,445
Bond proceeds	-	-	-	320,000
Operating transfers-out	(634,445)	(230,000)	-	-
Total other financing sources (uses)	(634,445)	(75,000)	-	1,029,445
Excess (deficiency) of revenues over expenditures and other sources (uses)	(169,165)	(211,690)	(634)	(1,347,719)
Fund balances, beginning of year as restated	1,763,044	429,841	616,551	901,502
Fund balances, end of year	\$ 1,593,879	\$ 218,151	\$ 615,917	\$ (446,217)

The accompanying notes are an integral part of these financial statements.

Fiduciary Fund Types		Account Groups		
Trust and Agency	General Fixed Assets	General Long-term Debt	Totals (Memorandum Only)	
\$ 1,591	\$ -	\$ -	\$ 693,852	
-	-	-	63,738	
-	-	-	16,724	
25,871	-	327,397	495,801	
17,552	-	-	17,552	
-	-	-	29,242	
11,608	-	-	11,608	
-	-	-	2,659,670	
-	-	-	2,750,000	
-	-	861,185	861,185	
-	-	1,610,000	1,610,000	
-	-	528,456	528,456	
-	-	341,590	345,228	
<u>56,622</u>	<u>-</u>	<u>3,668,628</u>	<u>10,083,056</u>	
-	13,199,342	-	13,199,342	
-	-	-	65,313	
-	-	-	329,902	
-	-	-	131,941	
-	-	-	615,917	
-	-	-	116,059	
83,542	-	-	806,140	
<u>83,542</u>	<u>13,199,342</u>	<u>-</u>	<u>15,264,614</u>	
<u>\$ 140,164</u>	<u>\$ 13,199,342</u>	<u>\$ 3,668,628</u>	<u>\$ 25,347,670</u>	

CITY OF PARMA HEIGHTS, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 1999

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Local taxes	\$ 7,810,315	\$ 7,822,887	\$ 12,572
Intergovernmental revenue	2,044,435	2,044,342	(93)
Special assessments	-	-	-
Charges for services	5,625	5,625	-
Fines, licenses, and permits	246,670	246,545	(125)
Interest	132,725	132,615	(110)
Miscellaneous	100,955	100,946	(9)
Total revenues	10,340,725	10,352,960	12,235
Expenditures			
Current			
Security of persons and property	5,733,905	5,684,980	48,925
Public health and welfare	263,282	263,273	9
Leisure time activities	264,318	260,034	4,284
Community environment	375,046	372,770	2,276
Basic utility services	682,450	679,392	3,058
Transportation	1,079,710	1,062,799	16,911
General government	1,644,937	1,629,738	15,199
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	10,043,648	9,952,986	90,662
Excess (deficiency) of revenues over expenditures	297,077	399,974	102,897
Other financing sources (uses)			
Operating transfers-in	-	-	-
Note proceeds	-	-	-
Bond proceeds	-	-	-
Operating transfers-out	(634,445)	(634,445)	-
Total other financing sources (uses)	(634,445)	(634,445)	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	(337,368)	(234,471)	102,897
Prior year encumbrances	12,018	12,018	-
Fund balances, beginning of year as adjusted	1,244,490	1,244,490	-
Fund balances, end of year	\$ 919,140	\$ 1,022,037	\$ 102,897

The accompanying notes are an integral part of these financial statements.

Fiduciary Fund Type			
Expendable Trust		Totals (Memorandum Only)	
\$ -	\$	9,032,484	
-		2,179,727	
-		65,236	
-		495,792	
33,911		281,032	
-		155,683	
7,005		143,023	
<u>40,916</u>		<u>12,352,977</u>	
1,658		5,795,581	
-		277,753	
-		1,064,766	
-		407,197	
-		626,274	
-		1,574,309	
31,755		1,606,619	
-		2,538,321	
-		351,907	
-		151,955	
<u>33,413</u>		<u>14,394,682</u>	
<u>7,503</u>		<u>(2,041,705)</u>	
-		864,445	
-		320,000	
-		(864,445)	
<u>-</u>		<u>320,000</u>	
7,503		(1,721,705)	
76,039		3,786,977	
<u>\$ 83,542</u>	<u>\$</u>	<u>2,065,272</u>	

CITY OF PARMA HEIGHTS, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	Capital Project		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Local taxes	\$ 156,208	\$ 137,211	\$ (18,997)
Intergovernmental revenue	18,794	18,794	-
Special assessments	25,735	25,708	(27)
Charges for services	-	-	-
Fines, licenses, and permits	-	-	-
Interest	8,975	8,968	(7)
Miscellaneous	622,231	-	(622,231)
Total revenues	831,943	190,681	(641,262)
Expenditures			
Current			
Security of persons and property	-	-	-
Public health and welfare	-	-	-
Leisure time activities	-	-	-
Community environment	-	-	-
Basic utility services	-	-	-
Transportation	-	-	-
General government	-	-	-
Capital outlay	4,693,979	2,307,017	2,386,962
Debt service			
Principal	-	-	-
Interest and fiscal changes	-	-	-
Total expenditures	4,693,979	2,307,017	2,386,962
Excess (deficiency) of revenues over expenditures	(3,862,036)	(2,116,336)	1,745,700
Other financing sources (uses)			
Operating transfers-in	709,445	709,445	-
Note proceeds	2,750,000	2,750,000	-
Bond proceeds	320,000	320,000	-
Operating transfers-out	-	-	-
Total other financing sources (uses)	3,779,445	3,779,445	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	(82,591)	1,663,109	1,745,700
Prior year encumbrances	7,704	7,704	-
Fund balances, beginning of year as adjusted	989,841	989,841	-
Fund balances, end of year	\$ 914,954	\$ 2,660,654	\$ 1,745,700

The accompanying notes are an integral part of these financial statements.

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 305,351	\$ 301,866	\$ (3,485)	\$ 414,775	\$ 414,775	\$ -
614,952	614,864	(88)	56,757	56,757	-
-	-	-	40,180	39,528	(652)
494,926	490,256	(4,670)	-	-	-
2,500	-	(2,500)	-	-	-
-	-	-	14,105	14,100	(5)
34,910	35,072	162	47,557	47,557	-
<u>1,452,639</u>	<u>1,442,058</u>	<u>(10,581)</u>	<u>573,374</u>	<u>572,717</u>	<u>(657)</u>
201,000	191,646	9,354	-	-	-
-	-	-	-	-	-
820,374	811,492	8,882	-	-	-
54,859	43,535	11,324	-	-	-
-	-	-	-	-	-
599,447	520,886	78,561	-	-	-
-	-	-	-	-	-
-	-	-	353,663	351,907	1,756
-	-	-	152,275	135,217	17,058
<u>1,675,680</u>	<u>1,567,559</u>	<u>108,121</u>	<u>505,938</u>	<u>487,124</u>	<u>18,814</u>
<u>(223,041)</u>	<u>(125,501)</u>	<u>97,540</u>	<u>67,436</u>	<u>85,593</u>	<u>18,157</u>
155,000	155,000	-	-	-	-
-	-	-	-	-	-
(230,000)	(230,000)	-	-	-	-
<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(298,041)</u>	<u>(200,501)</u>	<u>97,540</u>	<u>67,436</u>	<u>85,593</u>	<u>18,157</u>
1,291	1,291	-	-	-	-
362,106	362,106	-	576,829	576,829	-
<u>\$ 65,356</u>	<u>\$ 162,896</u>	<u>\$ 97,540</u>	<u>\$ 644,265</u>	<u>\$ 662,422</u>	<u>\$ 18,157</u>

Totals
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 8,686,649	\$ 8,676,739	\$ (9,910)
2,734,938	2,734,757	(181)
65,915	65,236	(679)
500,551	495,881	(4,670)
249,170	246,545	(2,625)
155,805	155,683	(122)
805,653	183,575	(622,078)
<u>13,198,681</u>	<u>12,558,416</u>	<u>(640,265)</u>
5,934,905	5,876,626	58,279
263,282	263,273	9
1,084,692	1,071,526	13,166
429,905	416,305	13,600
682,450	679,392	3,058
1,679,157	1,583,685	95,472
1,644,937	1,629,738	15,199
4,693,979	2,307,017	2,386,962
353,663	351,907	1,756
152,275	135,217	17,058
<u>16,919,245</u>	<u>14,314,686</u>	<u>2,604,559</u>
<u>(3,720,564)</u>	<u>(1,756,270)</u>	<u>1,964,294</u>
864,445	864,445	-
2,750,000	2,750,000	-
320,000	320,000	-
(864,445)	(864,445)	-
<u>3,070,000</u>	<u>3,070,000</u>	<u>-</u>
(650,564)	1,313,730	1,964,294
21,013	21,013	-
<u>3,173,266</u>	<u>3,173,266</u>	<u>-</u>
<u>\$ 2,543,715</u>	<u>\$ 4,508,009</u>	<u>\$ 1,964,294</u>

CITY OF PARMA HEIGHTS, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

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

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organizations' governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization; or 2) the City is legally entitled to or can otherwise access the organizations' resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City does not have any component units, therefore the financial statements are that of the primary government.

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

Southwest Council of Governments - The Southwest Council of Governments was established to foster cooperation between municipalities in all areas of municipal service. This includes but is not limited to the effective exchange of information, pooling of manpower and resources for the efficient solutions of specific problems dealing with reciprocal service, mutual aid, and parallel action, and the exchange of ideas relating to areawide interest. This is a jointly governed organization. The City's participation is disclosed in Note 22 to the financial statements.

Parma Community General Hospital Association - The Parma Community General Hospital Association is a not-for-profit adult care hospital controlled by a Board of Trustees which is composed of mayoral appointees from the cities of Parma, North Royalton, Brooklyn, Parma Heights, Seven Hills, and Brooklyn Heights. This is a jointly governed organization. The City's participation is disclosed in Note 22 to the financial statements.

CITY OF PARMA HEIGHTS, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY (continued)

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The City has the following fund types and account groups:

Governmental Fund Types

Governmental fund types are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be thirty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available. Other revenues including fines and forfeits, licenses and permits, certain charges for services, income taxes other than employer withholding, and miscellaneous revenues, are recognized when received since they are generally not measurable until collected.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the use of current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

CITY OF PARMA HEIGHTS, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION (continued)

Governmental Fund Types (continued)

General Fund - used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

Debt Service Fund - used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt.

Capital Projects Funds - used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Fund Types

Fiduciary fund types account for assets held by the City in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Funds - accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

Agency Funds - custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

Account Groups

The City maintains two account groups as described below:

General Fixed Assets Account Group - used to account for fixed assets acquired principally for general purposes.

General Long-term Debt Account Group - used to account for the outstanding principal balances of general obligation bonds and other long-term debt.

B. DEPOSITS AND INVESTMENTS

The City pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances.

CITY OF PARMA HEIGHTS, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. INVESTMENTS

Nonparticipating interest-earning contracts are stated at cost. Money market investments and participating interest-earning contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

D. RECEIVABLES

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

E. INVENTORY

The costs of inventory items are recognized as expenditures when purchased in the governmental funds. For all funds, cost is determined on a first-in, first-out basis.

F. GENERAL FIXED ASSETS

Fixed assets used in governmental fund types of the City are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The City does not capitalize items of infrastructure.

G. LONG-TERM LIABILITIES

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the general long-term debt account group. Special assessment bonded debt with governmental commitment has also been reflected in the general long-term debt account group.

H. UNPAID COMPENSATED ABSENCES

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 fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

CITY OF PARMA HEIGHTS, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. FUND EQUITY

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. TOTAL COLUMNS

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

K. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY PROCESS

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 throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the major account level (personnel, employee benefits, miscellaneous, debt service, capital projects, and transfers) within each fund. Budgetary modifications may only be made by ordinance of the City Council.

Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the ensuing January 1 to December 31.

CITY OF PARMA HEIGHTS, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of the certification, 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 measure.

On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" do not include January 1, 1999 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An 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 major account level (personnel, employee benefits, miscellaneous, debt service, capital projects, and transfers) and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among functions within a fund may be modified during the year by an ordinance of City Council. Certain supplemental appropriation ordinances were legally enacted by Council during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" represent the final appropriation amounts including all amendments and modifications.

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 need not be reappropriated.

CITY OF PARMA HEIGHTS, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Encumbrances

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 GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balances for subsequent-year expenditures.

Budgetary Reporting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP basis) are that:

- 1.) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2.) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

Excess (deficiency) of revenues over
 expenditures and other sources (uses) -
 reconciliation of budget basis to GAAP basis

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget basis	\$ (234,471)	\$ (200,501)	\$ 85,593	\$ 1,663,109
Adjustments, increase (decrease)				
Revenue accruals	(114,959)	(32,383)	(86,213)	(2,762,800)
Expenditure accruals	<u>180,265</u>	<u>21,194</u>	<u>(14)</u>	<u>(248,028)</u>
GAAP basis, as reported (deficit)	<u>\$ (169,165)</u>	<u>\$ (211,690)</u>	<u>\$ (634)</u>	<u>\$ (1,347,719)</u>

CITY OF PARMA HEIGHTS, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

B. FUND EQUITY DEFICITS

Not apparent in the general purpose financial statements is a deficit fund balance of \$ 739,794 in the Capital Projects fund. This deficit fund balance at year-end is the result of reflecting expenditures in accordance with the modified accrual basis, which are substantially larger than amounts recognized on the budget basis. The City, in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year.

NOTE 4 ADJUSTMENT TO NON-GAAP BUDGETARY BASIS BEGINNING FUND BALANCES

Beginning non-GAAP budgetary basis fund balances of certain funds have been adjusted to agree to the amounts certified to the county. The change is primarily due to the cancellation of prior years encumbrances. The changes as follows:

<u>Fund Types</u>	<u>As Previously Reported 12-31-98</u>	<u>Adjustment</u>	<u>As Adjusted 12-31-98</u>
General	\$ 1,224,517	\$ 19,973	\$ 1,244,490
Special Revenue	\$ 262,381	\$ 99,725	\$ 362,106
Debt Service	\$ 594,408	\$ (17,579)	\$ 576,829
Capital Projects	\$ 985,741	\$ 4,100	\$ 989,841

NOTE 5 RESTATEMENT OF PRIOR YEAR BALANCES

The beginning fund balance of certain funds have been restated to reflect the proper accrual of property taxes. The changes are as follows:

<u>Fund Types</u>	<u>As Previously Reported 12-31-98</u>	<u>Adjustment</u>	<u>As Restated 12-31-98</u>
General	\$ 1,365,491	\$ 397,553	\$ 1,763,044
Special Revenue	\$ 366,371	\$ 63,470	\$ 429,841
Debt Service	\$ 529,424	\$ 87,127	\$ 616,551
Capital Projects	\$ 872,652	\$ 28,850	\$ 901,502

CITY OF PARMA HEIGHTS, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 6 DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

- 1.) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2.) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3.) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4.) Bonds and other obligations of the State of Ohio;
- 5.) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6.) The State Treasurer's investment pool (STAR Ohio);

CITY OF PARMA HEIGHTS, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 6 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

B. DEPOSITS

At year-end, the carrying amount of the City's deposits was \$ 637,041 and the bank balance was \$ 902,164. Of the bank balance, \$ 314,048 is collateralized by federal depository insurance and \$ 588,116 by collateral held by third party trustees in accordance with the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, which amount is considered uncollateralized as defined by the Government Accounting Standards Board.

C. INVESTMENTS

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the City's name. Investment in STAR Ohio, the State Treasurer's Investment Pool, is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

CITY OF PARMA HEIGHTS, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 6 DEPOSITS AND INVESTMENTS (continued)

C. INVESTMENTS (continued)

Statutory provisions require that all securities acquired by the City be held by the City treasurer or deposited with a qualified trustee. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterparty is a designated depository of the City for the current period of designation of depositories, in which case the securities may be held in trust by the depository.

	Category			Fair value
	1	2	3	
Local Ohio securities	<u>\$ 528,455</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 528,455
Investment in State Treasurer's investment pool				<u>3,620,912</u>
				<u>\$ 4,149,367</u>

NOTE 7 TAXES RECEIVABLE, NET OF ALLOWANCE

Taxes receivable, net of allowance for estimated uncollectibles, consisted of:

Property taxes - current	\$ 2,777,587
Property taxes - delinquent	111,384
Municipal income taxes, employer withholding	202,653
Estate tax	<u>188,235</u>
	<u>\$ 3,279,859</u>

NOTE 8 GENERAL FIXED ASSETS

The changes in general fixed assets during the year consisted of:

	Balance <u>January 1,</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>December 31,</u>
Land and improvements	\$ 2,388,338	\$ 52,647	\$ -	\$ 2,440,985
Buildings and improvements	4,829,398	92,079	160,883	4,760,594
Equipment and vehicles	4,296,270	544,498	197,823	4,642,945
Construction in progress	<u>-</u>	<u>1,354,818</u>	<u>-</u>	<u>1,354,818</u>
	<u>\$ 11,514,006</u>	<u>\$ 2,044,042</u>	<u>\$ 358,706</u>	<u>\$ 13,199,342</u>

CITY OF PARMA HEIGHTS, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 9 DEFERRED REVENUE

Deferred revenue at year-end consisted of:

Property taxes receivable	\$ 2,567,971
Estate taxes receivable	47,059
Special assessments	<u>44,640</u>
	<u>\$ 2,659,670</u>

NOTE 10 NOTE PAYABLE

Note payable at year-end consisted of:

	<u>Outstanding</u> <u>12/31/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>12/31/99</u>
Recreational improvement note (1999) 6% through 2000	\$ -	\$ 2,750,000	\$ -	\$ 2,750,000

NOTE 11 GENERAL LONG-TERM DEBT

General long-term debt consisted of:

	<u>Outstanding</u> <u>12/31/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>12/31/99</u>
Due to other governments	\$ 303,978	\$ 327,397	\$ 303,978	\$ 327,397
Loans payable	905,521	-	44,336	861,185
Bonds payable	-	-	-	-
General obligation bonds	1,900,000	-	290,000	1,610,000
Special assessment bonds	226,027	320,000	17,571	528,456
Compensated absences payable	<u>315,000</u>	<u>26,590</u>	<u>-</u>	<u>341,590</u>
	<u>\$ 3,650,526</u>	<u>\$ 673,987</u>	<u>\$ 655,885</u>	<u>\$ 3,668,628</u>

CITY OF PARMA HEIGHTS, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 11 GENERAL LONG-TERM DEBT (continued)

Debt service requirements, including principal and interest, to retire long-term debt obligations outstanding at December 31, 1999, consisted of:

<u>Year</u>	<u>Loans payable</u>	<u>Bonds payable</u>		<u>Total</u>
		<u>General obligation</u>	<u>Special assessment</u>	
2000	\$ 52,117	\$ 354,440	\$ 58,867	\$ 465,424
2001	52,117	355,472	56,786	464,375
2002	52,118	345,669	55,700	453,487
2003	52,117	310,718	54,617	417,452
2004	52,117	187,457	53,533	293,107
2005-				
2009	260,589	421,375	226,859	908,823
2010-				
2014	260,589	53,750	195,109	509,448
2015-				
2019	<u>143,449</u>	<u>-</u>	<u>149,908</u>	<u>293,357</u>
	<u>\$ 925,213</u>	<u>\$ 2,028,881</u>	<u>\$ 851,379</u>	<u>\$ 3,805,473</u>

Not reflected above are due to other governments of \$ 327,397 nor compensated absences payable of \$ 341,590.

NOTE 12 LOANS PAYABLE

Loans payable at year end consisted of:

	<u>Outstanding</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u>
	<u>12/31/98</u>			<u>12/31/99</u>
<u>Ohio Water Development</u>				
<u>Authority Loans</u>				
York Road Sanitary Sewer				
(1995) 4.18% through 2015	\$ 188,274	\$ -	\$ 8,473	\$ 179,801
<u>Ohio Public Works</u>				
<u>Commission</u>				
Concrete street reconstruction				
(1999) 0.00% through 2019	<u>717,247</u>	<u>-</u>	<u>35,863</u>	<u>681,384</u>
	<u>\$ 905,521</u>	<u>\$ -</u>	<u>\$ 44,336</u>	<u>\$ 861,185</u>

CITY OF PARMA HEIGHTS, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 13 BONDS PAYABLE

Bonds payable at December 31, 1999 consisted of:

	<u>Outstanding</u> <u>12/31/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>12/31/99</u>
<u>General obligation bonds</u>				
Recreation improvements (1979) 6.375% through 1999	30,000	-	30,000	-
Street improvements (1986) 7.375% through 2002	140,000	-	35,000	105,000
Library improvements (1988) varying% through 2009	550,000	-	50,000	500,000
Building, facilities, and equipment (1993) varying% through 2003	515,000	-	95,000	420,000
City facilities improvement and equipment (1995) varying% through 2005	<u>665,000</u>	<u>-</u>	<u>80,000</u>	<u>585,000</u>
Total general obligation bonds	<u>\$ 1,900,000</u>	<u>\$ -</u>	<u>\$ 290,000</u>	<u>\$ 1,610,000</u>
<u>Special assessment bonds</u>				
Retaining wall improvements (1990) 7.500% through 2011	19,664	-	1,638	18,026
Street improvements (1992) 6.250% through 2012	14,194	-	1,014	13,180
Street improvements (1995) 6.250% through 2015	24,237	-	1,426	22,811
Street improvements (1995) 5.750% through 2015	45,813	-	6,545	39,268
Street improvements (1995) 6.205% through 2015	84,119	-	4,948	79,171
Street improvement (1999) 6.250% through 2017	38,000	-	2,000	36,000
Street improvement (1999) 5.75% through 2019	<u>-</u>	<u>320,000</u>	<u>-</u>	<u>320,000</u>
Total special assessment bonds	<u>\$ 226,027</u>	<u>\$ 320,000</u>	<u>\$ 17,571</u>	<u>\$ 528,456</u>

CITY OF PARMA HEIGHTS, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 14 CONDUIT DEBT

The City entered into a lease\purchase agreement with Parma Community General Hospital Association to provide the Hospital with the financial means to purchase equipment. The payments contained in this lease\purchase agreement are not general obligations, debt or bonded indebtedness of the city. The outstanding balance at December 31, 1999 was \$ 6,000,000.

NOTE 15 OPERATING LEASE

The City is obligated under a certain lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore the result of the lease agreement is not reflected in the City's account groups. Total lease expense for the year ended December 31, 1999 was \$ 16,303.

Future minimum rental payments required under the operating lease as of December 31, 1999 are follows:

<u>Year ending December 31.</u>	<u>Amount</u>
2000	\$ 3,708
2001	3,708
2002	<u>1,236</u>
	<u>\$ 8,652</u>

NOTE 16 INTERFUND TRANSACTIONS

Interfund balances at December 31, 1999 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 236	\$ -
Special Revenue Funds		
Recreation Fund	17,316	-
Trust and Agency Funds		
Miscellaneous Trust Fund	<u>-</u>	<u>17,552</u>
	<u>\$ 17,552</u>	<u>\$ 17,552</u>

CITY OF PARMA HEIGHTS, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 17 PROPERTY TAXES

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 1997.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended December 31, 1999 was \$ 80.10 per \$ 1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$ 57.194 per \$ 1,000 of assessed valuation for real property classified as residential/agricultural and \$ 60.196 per \$ 1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 1999 was \$ 80.10 per \$ 1,000 of assessed valuation.

Property valuation consisted of:

Real property - 1998	
Residential/agricultural	\$ 220,429,530
Other real estate	71,386,360
Tangible personal property - 1999	
General	9,245,933
Public utilities	<u>11,380,590</u>
Total valuation	<u>\$ 312,442,413</u>

NOTE 18 MUNICIPAL INCOME TAXES

The City levies an income tax of 2% on substantially all income earned within the City. In addition residents are required to pay City income tax on income earned outside the City with a certain credit for income taxes paid to other municipalities. This tax is collected and administered by the City.

CITY OF PARMA HEIGHTS, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 19 PENSION PLANS

Public Employees Retirement System of Ohio (PERS)

All employees other than policemen and firemen participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit public employee retirement system. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to PERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-466-2085 or 1-800-222-PERS(7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The 1999 employer contribution rate was 13.55% of covered payroll. The City's contribution to PERS for the years ended December 31, 1999, 1998, and 1997 were \$ 402,400, \$ 360,200, and \$ 346,700, respectively, equal to the required contributions for each year. The full amount has been contributed for 1998 and 1997. For 1999, 73% has been contributed with the remainder being reported as a liability in the general long-term debt account group.

Ohio Police and Fire Pension Fund (OP&F)

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 1999, 1998, and 1997 were \$ 733,400, \$ 635,600 and \$ 613,300 respectively, equal to the required contributions for each year. The full amount has been contributed for 1998 and 1997. For 1999, 72% has been contributed with the remainder being recorded as a liability in the general long-term debt account group.

CITY OF PARMA HEIGHTS, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 20 OTHER POSTEMPLOYMENT BENEFITS

Public Employees Retirement System of Ohio (PERS)

Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for 1999. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions.

The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. OPEB are financed through employer contributions and investment earnings there on. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for OPEB during 1999 were \$ 523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$ 9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

Ohio Police and Fire Pension Fund (OP&F)

The Fund provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB). The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

CITY OF PARMA HEIGHTS, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 20 OTHER POSTEMPLOYMENT BENEFITS (continued)

Ohio Police and Fire Pension Fund (OP&F) (continued)

The Ohio Revised Code provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. Currently, 7% of covered payroll, the Board-defined allocation is used to pay retiree health care expenses. The allocation is 7.25% in 2000. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The number of participants eligible to receive health care benefits as of December 31, 1998 (the latest information available) was 11,424 for police and 9,186 for firefighters. The City's 1999 contribution to pay postemployment benefits for police and firefighters was \$ 127,031 and \$ 110,842, respectively. Total health care expenses for the year ended December 31, 1998 (the latest information available) were \$ 78,596,790, which was net of member contributions of \$ 5,331,515.

NOTE 21 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. For the past several years, settled claims from these risks have not exceeded commercial insurance coverage.

The City has established a medical self-insurance program for City employees and their covered dependents. The City has elected to present hospitalization activity in the general fund. This program is administered with the assistance of an outside third-party administrator (Medical Mutual of Ohio).

At year-end, self-insurance was in effect for losses up to \$ 50,000 per participant, with a deposit liability threshold for the 1999 contract year of \$ 522,600. Excess losses are insured by a private insurance company.

Liabilities are accrued when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Changes in the balance of claims liability during the years ended December 31, 1999 and 1998 are as follows. Incurred claims and claims payments are not segregated between events related to the current year and events related to prior years due to the impracticability of obtaining such information by separate period.

	<u>1999</u>	<u>1998</u>
Unpaid claims, beginning of year	\$ 49,550	\$ 59,682
Incurred claims	513,409	345,334
Claims payment	<u>(479,797)</u>	<u>(355,466)</u>
Unpaid claims, end of year	<u>\$ 83,162</u>	<u>\$ 49,550</u>

CITY OF PARMA HEIGHTS, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 22 JOINTLY GOVERNED ORGANIZATIONS

A. Southwest Council of Governments

The Southwest Council of Governments (the Council) 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. In 1999, the City contributed \$ 4,500.

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 which 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.

B. Parma Community General Hospital Association

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

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

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

CITY OF PARMA HEIGHTS, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 23 CONTRACTUAL COMMITMENTS

At December 31, 1999 the City had contractual commitments as follows:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Outstanding Commitments</u>
Various street projects	\$ 896,174	\$ 850,466	\$ 45,708
Repairs	50,365	47,060	3,305
Pool renovations	1,916,875	397,316	1,519,559
Park improvements	599,288	595,288	4,000
Equipment	<u>151,835</u>	<u>-</u>	<u>151,835</u>
	<u>\$ 3,614,537</u>	<u>\$ 1,890,130</u>	<u>\$ 1,724,407</u>

CITY OF PARMA HEIGHTS, OHIO
SUPPLEMENTAL AUDITOR'S REPORT
DECEMBER 31, 1999

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"



COSTIN + COMPANY

Certified Public Accountants
35945 Center Ridge Road
North Ridgeville, OH 44039

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

The Honorable Mayor and
Members of City Council
City of Parma Heights, Ohio

We have audited the financial statements of the City of Parma Heights, Ohio as of and for the year ended December 31, 1999, and have issued our report thereon dated June 15, 2000. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards". However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial

The Honorable Mayor and
Members of City Council
City of Parma Heights, Ohio

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS" (CONTINUED)

statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Parma Heights in a separate letter dated June 15, 2000.

This report is intended for the information of management and should not be used by anyone other than these specified parties.

June 15, 2000
North Ridgeville, Ohio

Loftin & Company



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370
Facsimile 614-466-4490

CITY OF PARMA HEIGHTS

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.

By: Susan Babbitt

Date: JULY 20, 2000