



**Mary Taylor, CPA**  
Auditor of State



**PARMA CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	20
Statement of Fund Net Assets – Proprietary Funds .....	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds...	22
Statement Cash Flows – Proprietary Funds .....	23
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.....	25
Notes to the Basic Financial Statements .....	27
Schedule of Federal Awards Receipts and Expenditures.....	55
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	56
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	57
Independent Accountants' Report on Compliance with Requirements Applicable To Each Major Federal Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133 .....	59
Schedule of Audit Findings .....	61
Schedule of Prior Audit Findings.....	63
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	65

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Parma City School District  
Cuyahoga County  
5311 Longwood Avenue  
Parma, Ohio 44134

To the Board of Education:

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 Parma City School District, Cuyahoga County, Ohio, (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, 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 Parma City School District, Cuyahoga County, Ohio, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 3, the District reclassified the July 1, 2008 assets of the Employee Benefit Agency Funds as an Internal Service Fund to properly classify self-insurance activity by the District.

As described in Note 20 there were allegations that a former member of the District's Board of Education had improper interests in certain public contracts.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2010, on our consideration of the District'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 27, 2010

**Parma City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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The discussion and analysis of Parma City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2009 are as follows:

- In a cost savings measure, the School District closed two elementary schools and all extracurricular activities went to pay to participate to save on School District supplemental costs.
- Fiscal year 2009 was the first year the School District was self-insured for medical and prescription benefits. At June 30, 2009 there was a balance of (\$230,766) in the self-insurance fund.
- Credits required to graduate high school were reduced from 21 to 20 credits thus allowing the School District to eliminate 40 teaching positions.
- The School District failed to pass a new operating levy for general operations.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Parma City School District as an entire operating entity. The statements begin at a summary level and expand to detailed financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the entire School District, presenting both an aggregate view of the School District's current finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant governmental funds with all other nonmajor funds presented in total in one column. The general fund is the most significant fund.

### ***Reporting the School District as a Whole***

#### *Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as an entity looks at all financial transactions and asks the question, "How did we do financially during the 2009 fiscal year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Parma City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Changes to our net assets are a direct result of property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated educational programs, state funding, student enrollment, and general inflation.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two major activities:

- **Governmental Activities** – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, general administration, and self-insurance.
- **Business-Type Activities** – These services are provided on a fee basis to recover all of the expenses of the goods or services provided. The School District's business-type activities are food service, adult continuing education, and extended daycare/preschool.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for its financial transactions. However, these fund financial statements concentrate on the School District's most significant funds. The School District's major governmental funds are the general fund, the bond retirement debt service fund, the permanent improvement capital projects fund and the building capital projects fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which accounts for flow of money into and out of those funds and the year-end balances available for spending in future years. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps the reader determine the amount of financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Proprietary Funds*** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**Parma City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

**The School District as a Whole**

The Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

Table 1  
Net Assets  
(In millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008-Restated</u>	<u>2009</u>	<u>2008-Restated</u>	<u>2009</u>	<u>2008-Restated</u>
<b>Assets</b>						
Current and Other Assets	\$108.7	\$116.2	\$1.4	\$1.3	\$110.1	\$117.5
Capital Assets, Net	65.1	71.1	0.3	0.3	65.4	71.4
<b>Total Assets</b>	<b>173.8</b>	<b>187.3</b>	<b>1.7</b>	<b>1.6</b>	<b>175.5</b>	<b>188.9</b>
<b>Liabilities</b>						
Current and Other Liabilities	86.7	89.2	0.2	0.2	86.9	89.4
Long-Term Liabilities:						
Due Within One Year	6.1	6.0	0.0	0.0	6.1	6.0
Due in More than One Year	52.0	57.2	0.1	0.1	52.1	57.3
<b>Total Liabilities</b>	<b>144.8</b>	<b>152.4</b>	<b>0.3</b>	<b>0.3</b>	<b>145.1</b>	<b>152.7</b>
<b>Net Assets</b>						
Invested in Capital						
Assets, Net of Debt	17.1	18.0	0.4	0.3	17.5	18.3
Restricted						
Capital Projects	1.3	1.4	0.0	0.0	1.3	1.4
Debt Service	0.8	0.5	0.0	0.0	0.8	0.5
Other Purposes	2.0	2.3	0.0	0.0	2.0	2.3
Unrestricted	7.8	13.4	1.0	0.9	8.8	14.3
<b>Total Net Assets</b>	<b>\$29.0</b>	<b>\$35.6</b>	<b>\$1.4</b>	<b>\$1.2</b>	<b>\$30.4</b>	<b>\$36.8</b>

Total assets of governmental activities decreased \$13.5 million. This decrease was due mainly to cash and cash equivalents decreasing \$4.6 million and property taxes receivable decreasing by \$2.7 million. The decrease in cash and cash equivalents and decrease in property taxes receivable are due to less investment earnings and lower tax collections due to economic times.

Total liabilities for governmental activities decreased \$7.6 million. This decrease was due mainly to decreased deferred revenue of \$4.3 million, and decreased long-term liabilities of \$5.1 million. The decrease of \$4.3 million in deferred revenue is due to a decrease in estimated tax collections for the year. The decrease of \$5.1 million in long-term liabilities is a direct result of the fiscal year 2009 debt principal payments being made.

**Parma City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal year 2009 for both our governmental activities and our business-type activities.

Table 2  
Change in Net Assets  
(In millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$5.9	\$6.1	\$3.7	\$3.7	\$9.6	\$9.8
Operating Grants and Contributions	11.8	16.8	1.9	1.4	13.7	18.2
Capital Grants and Contributions	0.5	0.1	0.0	0.0	0.5	0.1
<i>Total Program Revenues</i>	<u>18.2</u>	<u>23.0</u>	<u>5.6</u>	<u>5.1</u>	<u>23.8</u>	<u>28.1</u>
General Revenues:						
Property Taxes	88.0	91.7	0.0	0.0	88.0	91.7
Grants and Entitlements	39.4	33.0	0.0	0.0	39.4	33.0
Investment Earnings	0.5	1.5	0.0	0.0	0.5	1.5
Miscellaneous	1.5	0.9	0.1	0.0	1.6	0.9
<i>Total General Revenues</i>	<u>129.4</u>	<u>127.1</u>	<u>0.1</u>	<u>0.0</u>	<u>129.5</u>	<u>127.1</u>
Total Revenues	<u>147.6</u>	<u>150.1</u>	<u>5.7</u>	<u>5.1</u>	<u>153.3</u>	<u>155.2</u>
<b>Program Expenses</b>						
Instruction	88.8	84.8	0.0	0.0	88.8	84.8
Support Services:						
Pupils and Instructional Staff	16.1	14.8	0.0	0.0	16.1	14.8
Board of Education, Administration, Fiscal and Business	17.0	17.1	0.0	0.0	17.0	17.1
Operation and Maintenance of Plant	13.0	17.6	0.0	0.0	13.0	17.6
Pupil Transportation	6.7	6.9	0.0	0.0	6.7	6.9
Central	2.8	2.2	0.0	0.0	2.8	2.2
Operation of Non-Instructional Services	4.4	4.3	0.0	0.0	4.4	4.3
Enterprise Operations	0.0	0.0	5.5	5.0	5.5	5.0
Extracurricular Activities	3.2	3.4	0.0	0.0	3.2	3.4
Interest and Fiscal Charges	2.2	2.3	0.0	0.0	2.2	2.3
Total Program Expenses	<u>154.2</u>	<u>153.4</u>	<u>5.5</u>	<u>5.0</u>	<u>159.7</u>	<u>158.4</u>
Change in Net Assets	(6.6)	(3.3)	0.2	0.1	(6.4)	(3.2)
<i>Net Assets Beginning of Year</i>						
- Restated (See Note 3)	<u>35.6</u>	<u>38.9</u>	<u>1.2</u>	<u>1.1</u>	<u>36.8</u>	<u>40.0</u>
<i>Net Assets End of Year</i>	<u><u>\$29.0</u></u>	<u><u>\$35.6</u></u>	<u><u>\$1.4</u></u>	<u><u>\$1.2</u></u>	<u><u>\$30.4</u></u>	<u><u>\$36.8</u></u>

Total governmental activities net assets decreased \$6.6 million. Property taxes decreased \$3.7 million due to a decrease in collections by the county because of current economic conditions; grants, including operating grants, capital grants and grants and entitlements increased \$1.8 million due to an increase in personal property tax reimbursements from the State.

**Parma City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

The increase of \$4 million in instructional program expenses and \$1.3 million in pupil and instructional staff expenses reflects both the increased cost of wages and benefits.

The unusual nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As a result of legislation enacted in 1976, the overall revenue generated by a voted tax levy does not increase as a result of inflation. As an example, a homeowner with a home valued at \$100,000 (Assessed value of \$35,000) and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the homes were reappraised and increased to \$200,000 (assessed value of \$70,000) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Our School District, which is dependent upon property taxes, is hampered by a lack of revenue growth and must periodically ask the voters to increase property taxes to maintain a constant level of service. Property taxes made up over 59 percent of revenues for governmental activities for the School District in fiscal year 2009.

The largest Governmental Activities program expense remains instruction, comprising over 57 percent of total expenses. When combined with pupils and instructional support these categories make up 68 percent of expenses.

Management recognizes a continued loss of personal property tax revenue due to the continued phase-out of personal property tax and phase-in of public utility deregulation as well as board of revision and board of tax appeal decisions.

Interest expense was attributable to the outstanding bonds and notes and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, (services supported by tax revenue and unrestricted State entitlements), the total cost of services and the net cost of services.

Table 3  
 Governmental Activities  
 (In millions)

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Instruction	\$88.8	\$81.7	\$84.8	\$76.4
Support Services:				
Pupils and Instructional Staff	16.1	12.6	14.8	11.1
Board of Education, Administration				
Fiscal and Business	17.0	15.4	17.1	15.5
Operation and Maintenance of Plant	13.0	12.5	17.6	17.0
Pupil Transportation	6.7	6.2	6.9	3.8
Central	2.8	2.6	2.2	2.1
Operation of Non-Instructional Services	4.4	0.5	4.3	(0.2)
Extracurricular Activities	3.2	2.3	3.4	2.4
Interest and Fiscal Charges	2.2	2.2	2.3	2.3
<b>Total</b>	<b>\$154.2</b>	<b>\$136.0</b>	<b>\$153.4</b>	<b>\$130.4</b>

**Parma City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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The dependence upon tax revenues for governmental activities is apparent. Approximately 88 percent of instruction activities are supported through taxes and other general revenues. Our three communities are responsible for the primary support for Parma City School District students.

***Business-Type Activities***

Business-type activities include the food service, adult continuing education, and extended daycare/preschool programs.

Overall net assets increased \$0.2 million in 2009. Business-type activities cash positions have allowed individual business-type activities to absorb additional program expenses over the last several years.

**The School District's Funds**

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. The general fund had total revenues of \$128.7 million and expenditures of \$132.7 million. The net change in fund balance for the year was a decrease of \$4.3 million. This change was due to decreased revenues from taxes and interest, and an increase of expenditures throughout the year.

The bond retirement debt service fund had total revenues of \$4.1 million and expenditures of \$3.8 million. The net change in fund balance for the year was an increase of \$.3 million.

The permanent improvement capital projects fund had total revenues of \$2.9 million and expenditures of \$3.1 million. There was a minimal net change in fund balance for the year.

The building capital projects fund had minimal revenues and expenditures.

***General Fund Budgeting Highlights***

The School District'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 fiscal year 2009, the School District amended its general fund budget several times. Final appropriations for the general fund increased by \$3.7 million from the original appropriations due to the inclusion of additional appropriations which were mainly to advance money to other funds. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$135.1 million.

For the general fund, original and final budget basis estimated revenues were \$127.0 million and \$130.5 million, respectively. This increase of \$3.5 million was due to a conservative approach to revenue estimates at the beginning of the fiscal year. Total actual revenues were \$128.6 million.

**Parma City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

***Capital Assets and Debt Administration***

***Capital Assets***

At the end of fiscal year 2009, the School District had \$65.5 million invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles, \$65.1 million of which is in governmental activities. Table 4 shows fiscal 2009 balances compared to fiscal 2008:

Table 4  
 Capital Assets at June 30  
 (Net of Depreciation)  
 (In millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$5.1	\$5.1	\$0.0	\$0.0	\$5.1	\$5.1
Land Improvements	9.0	9.2	0.0	0.0	9.0	9.2
Buildings and Improvements	43.1	44.8	0.0	0.0	43.1	44.8
Furniture and Equipment	5.2	6.2	0.4	0.3	5.6	6.5
Vehicles	2.7	2.8	0.0	0.0	2.7	2.8
Construction in Progress	0.0	3.0	0.0	0.0	0.0	3.0
<b>Totals</b>	<b>\$65.1</b>	<b>\$71.1</b>	<b>\$0.4</b>	<b>\$0.3</b>	<b>\$65.5</b>	<b>\$71.4</b>

For fiscal year 2009, an Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and other instructional materials; this amounted to \$2.0 million for each set aside. For fiscal year 2009, the School District had qualifying disbursements or offsets exceeding these requirements. See Note 8 to the basic financial statements for additional information on capital assets.

***Debt***

At June 30, 2009, the School District had \$46.5 million in bonds, notes, loans, and certificates of participation outstanding, with \$4.8 million due within one year. The debt will be serviced with tax revenue from the March 2000 2.0 mill permanent improvement levy, the May 2005 1.0 mill permanent improvement levy, and general property tax revenue. Table 5 summarizes the outstanding debt.

**Parma City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

Table 5  
 Outstanding Debt, at Year End  
 (In millions)

	Governmental Activities	
	2009	2008
1999 Byers Field General Obligation Bonds	\$0.0	\$0.3
2002 Construction Note	9.0	11.0
2006 Construction Note	8.2	9.2
2006 Construction Note Unamortized Premium	0.1	0.1
2003 Energy Conservation Loan (Phase IV)	1.5	1.6
2004 Energy Conservation Loan (Phase V)	4.3	4.8
2004 Energy Conservation Loan (Phase VI)	4.0	4.4
2005 Energy Conservation Loan (Phase VII)	2.0	2.1
2006 Energy Conservation Loan (Phase VIII & IX)	2.9	3.1
2008 Energy Conservation Loan (Phase X)	2.3	2.5
2006 Certificates of Participation	12.3	12.4
2006 Certificates of Participation Unamortized Discount	(0.1)	(0.1)
Totals	<u>\$46.5</u>	<u>\$51.4</u>

The 1999 energy conservation note and Byers Field note were combined and converted to a 10 year bond, now referred to as the Byers Field bond, which matured in fiscal year 2009.

The 2002 construction note for capital repairs and improvements will mature in 2012.

In late 2002, the School District borrowed \$2.2 million for a HB 264 Energy Conservation project. The loan will be paid off in 2016.

In 2004, the School District borrowed \$12.3 million for two HB 264 Energy Conservation projects. One loan will be paid off in 2017 and the other loan will be paid off in 2019.

In 2005, the School District borrowed \$2.5 million for a HB 264 Energy Conservation project. The loan will be paid off in 2020.

In 2006, the School District borrowed \$11.0 million in a construction note, \$3.5 million in an energy conservation loan, and \$12.6 million in certificates of participation. The construction note is to provide for the general ongoing permanent improvements of the School District and will be paid off in 2015. The energy conservation loan is for two HB 264 Energy Conservation projects and will be paid off in 2021. The certificates of participation were issued for capital improvements to several school buildings and will be paid off in 2017.

In 2008, the School District borrowed \$2.5 million for a HB 264 Energy Conservation project. The loan will be paid off in 2022.

At June 30, 2009, the School District's overall legal debt margin was \$223.3 million with an unvoted debt margin of \$2.5 million. See Note 14 to the basic financial statements for additional information on debt.

**Parma City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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***School District Outlook***

The Board of Education and administration have implemented fiscal management disciplines that utilize a variety of formal plans. We are working within the five-year budget plan, the five-year capital repairs and renovations plan, and the five-year enrollment projections. The School District will need to pass a renewal levy by December 31, 2010; also a levy for additional operating revenues will need to be passed sometime in the next calendar year.

Significant legislative and judicial actions continue to occur that will have a major impact on our School District. We believe that the ultimate resolution of funding reform is still sometime away. The downturn in the economy has put pressures on both the State budget as well as our local School District budget. We are concerned that the State may not have the ability to fully fund the previously approved subsidies for primary and secondary education in the State budget. We are also concerned that the local tax base may be weakened as a result of the current economic conditions and therefore negatively impact local tax revenues. The ongoing legislative efforts to support the existence of community (charter) schools come at the expense of our current State subsidy. For fiscal year 2009, \$4,788,912 was deducted from our State subsidy and redirected to local community (charter) schools. Our School District has been impacted by the continuing national trend of rapidly escalating employee benefit costs.

The Parma City School District has committed itself to a fiscal discipline based on long-term plans as well as a commitment to full disclosure of financial information and utilization of the highest standards of financial reporting.

**Contacting the School District Fiscal Management**

This financial report was designed to comply with the most current reporting requirements and is intended to provide our parents, citizens, taxpayers, investors and creditors an understanding of the School District's financial position. Daniel B. Bowman, Treasurer/Chief Financial Officer, can be contacted at the Parma City School District, 5311 Longwood Avenue, Parma, Ohio 44134 or by email at [bowmand@parmacityschools.org](mailto:bowmand@parmacityschools.org).

## **Basic Financial Statements**

**Parma City School District**

*Statement of Net Assets*

*June 30, 2009*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$14,697,000	\$1,542,551	\$16,239,551
Accounts Receivable	1,033,436	139,904	1,173,340
Intergovernmental Receivable	1,510,048	51,024	1,561,072
Prepaid Items	18,282	0	18,282
Internal Balances	423,205	(423,205)	0
Materials and Supplies Inventory	373,074	0	373,074
Inventory Held for Resale	0	17,490	17,490
Property Taxes Receivable	90,116,760	0	90,116,760
Deferred Charges	519,000	0	519,000
Nondepreciable Capital Assets	5,096,730	0	5,096,730
Depreciable Capital Assets, Net	60,010,484	361,318	60,371,802
<i>Total Assets</i>	<u>173,798,019</u>	<u>1,689,082</u>	<u>175,487,101</u>
<b>Liabilities</b>			
Accounts Payable	1,604,749	10,866	1,615,615
Contracts Payable	25,289	0	25,289
Accrued Wages and Benefits	9,543,343	48,948	9,592,291
Intergovernmental Payable	4,902,333	118,078	5,020,411
Deferred Revenue	68,254,683	0	68,254,683
Accrued Interest Payable	236,868	0	236,868
Claims Payable	2,132,483	0	2,132,483
Long-Term Liabilities:			
Due Within One Year	6,050,973	12,431	6,063,404
Due In More Than One Year	52,021,353	87,007	52,108,360
<i>Total Liabilities</i>	<u>144,772,074</u>	<u>277,330</u>	<u>145,049,404</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	17,092,403	361,318	17,453,721
Restricted for:			
Capital Projects	1,345,033	0	1,345,033
Debt Service	820,562	0	820,562
Public School Support	473,303	0	473,303
Local Grants	52,230	0	52,230
District Managed Student Activities	333,358	0	333,358
Auxiliary Services	106,007	0	106,007
Miscellaneous State Grants	243,571	0	243,571
Title I Grant	410,025	0	410,025
Other Purposes	378,128	0	378,128
Unrestricted	7,771,325	1,050,434	8,821,759
<i>Total Net Assets</i>	<u>\$29,025,945</u>	<u>\$1,411,752</u>	<u>\$30,437,697</u>

See accompanying notes to the basic financial statements

**Parma City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2009

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<b>Governmental Activities</b>				
Instruction:				
Regular	\$65,226,656	\$2,250,292	\$1,641,700	\$0
Special	19,384,887	665,066	2,171,279	0
Vocational	3,849,418	146,308	6,346	0
Adult/Continuing	127,830	334	142,704	0
Student Intervention Services	142,599	5,447	2,791	0
Support Services:				
Pupils	9,586,270	328,587	726,108	0
Instructional Staff	6,492,174	159,664	2,295,734	0
Board of Education	1,037,891	40,025	1,133	0
Administration	12,277,352	431,784	736,674	0
Fiscal	2,419,024	186,445	5,277	31,619
Business	1,264,997	37,327	1,056	89,739
Operation and Maintenance of Plant	13,034,090	462,286	20,266	48,519
Pupil Transportation	6,730,868	255,408	17,173	253,176
Central	2,829,210	103,662	50,127	94,874
Operation of Non-Instructional Services	4,438,049	1,091	3,967,171	0
Extracurricular Activities	3,209,617	863,699	25,109	0
Interest and Fiscal Charges	2,194,907	0	0	0
<i>Total Governmental Activities</i>	<u>154,245,839</u>	<u>5,937,425</u>	<u>11,810,648</u>	<u>517,927</u>
<b>Business-Type Activities</b>				
Food Service	4,223,187	2,327,657	1,864,031	0
Adult Continuing Education	109,491	67,532	31,125	0
Extended Day Care/Preschool	1,190,753	1,324,646	20,614	0
<i>Total Business-Type Activities</i>	<u>5,523,431</u>	<u>3,719,835</u>	<u>1,915,770</u>	<u>0</u>
<i>Totals</i>	<u>\$159,769,270</u>	<u>\$9,657,260</u>	<u>\$13,726,418</u>	<u>\$517,927</u>

**General Revenues**

Property Taxes Levied for:  
General Purposes  
Debt Service  
Capital Projects  
Grants and Entitlements not  
Restricted to Specific Programs  
Investment Earnings  
Miscellaneous

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year - Restated (See Note 3)*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$61,334,664)	\$0	(\$61,334,664)
(16,548,542)	0	(16,548,542)
(3,696,764)	0	(3,696,764)
15,208	0	15,208
(134,361)	0	(134,361)
(8,531,575)	0	(8,531,575)
(4,036,776)	0	(4,036,776)
(996,733)	0	(996,733)
(11,108,894)	0	(11,108,894)
(2,195,683)	0	(2,195,683)
(1,136,875)	0	(1,136,875)
(12,503,019)	0	(12,503,019)
(6,205,111)	0	(6,205,111)
(2,580,547)	0	(2,580,547)
(469,787)	0	(469,787)
(2,320,809)	0	(2,320,809)
(2,194,907)	0	(2,194,907)
(135,979,839)	0	(135,979,839)
0	(31,499)	(31,499)
0	(10,834)	(10,834)
0	154,507	154,507
0	112,174	112,174
(135,979,839)	112,174	(135,867,665)
82,539,003	0	82,539,003
3,414,606	0	3,414,606
2,056,515	0	2,056,515
39,441,942	0	39,441,942
447,950	35	447,985
1,502,633	39,069	1,541,702
129,402,649	39,104	129,441,753
(6,577,190)	151,278	(6,425,912)
35,603,135	1,260,474	36,863,609
\$29,025,945	\$1,411,752	\$30,437,697

**Parma City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2009*

	General	Bond Retirement	Permanent Improvement	Building	Other Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$7,761,452	\$757,698	\$1,242,492	\$243,601	\$2,790,040
Accounts Receivable	689,417	0	343,344	0	675
Intergovernmental Receivable	0	0	0	0	1,510,048
Prepaid Items	18,282	0	0	0	0
Interfund Receivable	3,347,569	0	0	0	0
Materials and Supplies Inventory	373,074	0	0	0	0
Property Taxes Receivable	84,487,388	3,549,772	2,079,600	0	0
<i>Total Assets</i>	<u>\$96,677,182</u>	<u>\$4,307,470</u>	<u>\$3,665,436</u>	<u>\$243,601</u>	<u>\$4,300,763</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$1,082,693	\$0	\$42,166	\$0	\$479,890
Contracts Payable	3,364	0	21,925	0	0
Accrued Wages and Benefits	9,023,604	0	2,164	0	517,575
Intergovernmental Payable	4,590,226	0	4,803	0	307,304
Interfund Payable	0	617,823	750,000	0	1,556,541
Deferred Revenue	71,030,794	2,970,076	1,733,975	0	1,373,684
<i>Total Liabilities</i>	<u>85,730,681</u>	<u>3,587,899</u>	<u>2,555,033</u>	<u>0</u>	<u>4,234,994</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	1,298,369	0	123,901	11,551	385,945
Reserved for Property Taxes	13,701,808	579,696	338,436	0	0
Unreserved, Undesignated (Deficit)					
Reported in:					
General Fund	(4,053,676)	0	0	0	0
Special Revenue Funds	0	0	0	0	403,074
Debt Service Fund	0	139,875	0	0	0
Capital Projects Funds	0	0	648,066	232,050	(723,250)
<i>Total Fund Balances</i>	<u>10,946,501</u>	<u>719,571</u>	<u>1,110,403</u>	<u>243,601</u>	<u>65,769</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$96,677,182</u>	<u>\$4,307,470</u>	<u>\$3,665,436</u>	<u>\$243,601</u>	<u>\$4,300,763</u>

See accompanying notes to the basic financial statements

**Parma City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2009*

Total Governmental Funds	<b>Total Governmental Fund Balances</b>	\$13,085,845
\$12,795,283	<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
1,033,436	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
1,510,048	Capital Assets, not being depreciated	5,096,730
18,282	Capital Assets, being depreciated	135,842,689
3,347,569	Accumulated Depreciation	<u>(75,832,205)</u>
373,074		
90,116,760	Total	65,107,214
\$109,194,452	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
	Delinquent Property Taxes	7,086,162
\$1,604,749	Grants	1,373,684
25,289	Tuition and Fees	<u>394,000</u>
9,543,343		
4,902,333	Total	8,853,846
2,924,364	Unamortized issuance costs represent deferred charges, which do not provide current financial resources and, therefore, are not reported in the funds.	519,000
77,108,529		
96,108,607	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(236,868)
1,819,766		
14,619,940	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
(4,053,676)	Notes Payable	(17,155,000)
403,074	Premium on Notes	(112,226)
139,875	Loans Payable	(17,025,678)
156,866	Certificates of Participation Payable	(12,235,000)
	Discount on Certificates of Participation	75,613
	Capital Lease Payable	(2,193,746)
	Compensated Absences	<u>(9,426,289)</u>
	Total	(58,072,326)
13,085,845	The internal service fund is used by management to charge the costs of insurance. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	<u>(230,766)</u>
\$109,194,452	<i>Net Assets of Governmental Activities</i>	<u>\$29,025,945</u>

**Parma City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
For the Fiscal Year Ended June 30, 2009

	General	Bond Retirement	Permanent Improvement	Building	Other Governmental Funds
<b>Revenues</b>					
Property Taxes	\$83,125,800	\$3,441,594	\$2,073,788	\$0	\$0
Intergovernmental	39,441,942	662,423	401,252	0	10,485,896
Interest	426,363	0	3,750	3,085	14,752
Tuition and Fees	2,313,978	0	0	0	0
Extracurricular Activities	298,735	0	0	0	744,000
Rentals	305,857	0	0	0	0
Charges for Services	2,189,520	0	0	0	69,126
Contributions and Donations	145,033	0	21,801	0	24,372
Miscellaneous	449,205	0	376,399	0	841,131
<i>Total Revenues</i>	<u>128,696,433</u>	<u>4,104,017</u>	<u>2,876,990</u>	<u>3,085</u>	<u>12,179,277</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	58,091,588	0	0	0	919,651
Special	17,242,896	0	0	0	2,056,746
Vocational	3,844,252	0	0	0	1,775
Adult/Continuing	8,561	0	0	0	117,417
Student Intervention Services	140,899	0	0	0	1,700
Support Services:					
Pupils	8,432,524	0	0	0	1,049,465
Instructional Staff	4,209,390	0	0	0	2,272,573
Board of Education	1,034,446	0	0	0	0
Administration	11,139,311	0	0	0	838,908
Fiscal	2,297,982	0	75,057	0	0
Business	962,846	0	213,818	0	0
Operation and Maintenance of Plant	11,955,656	0	115,172	0	6,463
Pupil Transportation	6,351,195	0	600,972	0	22,768
Central	2,656,197	0	0	0	127,256
Operation of Non-Instructional Services	28,188	0	0	0	4,298,833
Extracurricular Activities	1,742,914	0	0	0	1,366,823
Capital Outlay	55,097	0	912,765	5,686	0
Debt Service:					
Principal Retirement	1,696,715	3,065,000	516,043	0	0
Interest and Fiscal Charges	800,480	711,389	619,904	0	0
<i>Total Expenditures</i>	<u>132,691,137</u>	<u>3,776,389</u>	<u>3,053,731</u>	<u>5,686</u>	<u>13,080,378</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,994,704)</u>	<u>327,628</u>	<u>(176,741)</u>	<u>(2,601)</u>	<u>(901,101)</u>
<b>Other Financing Sources (Uses)</b>					
Inception of Capital Lease	0	0	137,000	0	0
Sale of Capital Assets	16,567	0	0	0	0
Transfers In	0	0	35,047	0	278,199
Transfers Out	(313,246)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(296,679)</u>	<u>0</u>	<u>172,047</u>	<u>0</u>	<u>278,199</u>
<i>Net Change in Fund Balances</i>	<u>(4,291,383)</u>	<u>327,628</u>	<u>(4,694)</u>	<u>(2,601)</u>	<u>(622,902)</u>
<i>Fund Balances Beginning of Year</i>	<u>15,237,884</u>	<u>391,943</u>	<u>1,115,097</u>	<u>246,202</u>	<u>688,671</u>
<i>Fund Balances End of Year</i>	<u>\$10,946,501</u>	<u>\$719,571</u>	<u>\$1,110,403</u>	<u>\$243,601</u>	<u>\$65,769</u>

See accompanying notes to the basic financial statements

**Parma City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2009*

<hr/>	<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$4,593,952)
Total Governmental Funds	<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$88,641,182	Governmental funds report capital outlays as expenditures.	
50,991,513	However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
447,950	Capital Asset Additions	1,450,979
2,313,978	Current Year Depreciation	<u>(3,823,606)</u>
1,042,735	Total	(2,372,627)
305,857	Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(3,599,588)
2,258,646	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
191,206	Delinquent Property Taxes	(631,058)
1,666,735	Grants	587,798
	Tuition and Fees	16,209
	Miscellaneous	<u>(164,102)</u>
	Total	(191,153)
147,859,802	Repayment of bond, loan, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	5,277,758
	Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds.	63,904
59,011,239	In the statement of activities, interest is accrued on outstanding debt. Debt premiums, debt discounts, and debt issuance costs are amortized over the term of the debt, whereas in governmental funds an interest expenditure is reported when due and premiums, discounts, and bond issuance costs are reported when the debt is due.	
19,299,642	Accrued Interest	(9,399)
3,846,027	Amortization of Debt Premiums	16,032
125,978	Amortization of Debt Discounts	(8,402)
142,599	Amortization of Issuance Costs	<u>(61,365)</u>
	Total	(63,134)
9,481,989	Inception of a capital lease is an other financing source in the governmental funds, but increases liabilities in governmental activities.	(137,000)
6,481,963	An internal service fund used by management to charge the cost of insurance to individual funds is not reported in the expenditures and related internal service fund revenue is eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental and business-type activities.	(961,398)
1,034,446		
11,978,219		
2,373,039		
1,176,664		
12,077,291		
6,974,935		
2,783,453		
4,327,021		
3,109,737		
973,548		
5,277,758		
2,131,773		
152,607,321		
(4,747,519)		
137,000		
16,567		
313,246		
(313,246)		
153,567		
(4,593,952)		
17,679,797		
\$13,085,845	<i>Change in Net Assets of Governmental Activities</i>	<u>(\$6,577,190)</u>

**Parma City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2009*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$78,959,552	\$81,148,131	\$81,059,705	(\$88,426)
Intergovernmental	38,435,555	39,488,137	39,445,609	(42,528)
Interest	459,742	472,485	471,970	(515)
Tuition and Fees	2,343,367	2,424,348	2,320,390	(103,958)
Extracurricular Activities	319,345	327,411	298,735	(28,676)
Rentals	304,768	313,207	312,541	(666)
Charges for Services	2,401,432	2,460,548	2,189,520	(271,028)
Contributions and Donations	168,564	169,105	145,033	(24,072)
Miscellaneous	310,339	334,322	677,184	342,862
<i>Total Revenues</i>	<u>123,702,664</u>	<u>127,137,694</u>	<u>126,920,687</u>	<u>(217,007)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	60,779,266	59,422,034	58,882,878	539,156
Special	17,704,744	17,523,161	17,142,137	381,024
Vocational	3,584,954	3,961,783	3,881,488	80,295
Adult/Continuing	140,748	40,748	8,561	32,187
Student Intervention Services	164,676	133,969	129,654	4,315
Support Services:				
Pupils	7,292,252	8,090,783	8,070,147	20,636
Instructional Staff	4,888,361	4,557,991	4,399,759	158,232
Board of Education	1,069,315	1,261,815	1,134,021	127,794
Administration	12,226,159	11,635,649	11,127,064	508,585
Fiscal	2,486,095	2,478,868	2,286,836	192,032
Business	1,410,636	1,368,350	1,115,414	252,936
Operation and Maintenance of Plant	10,804,070	13,508,849	12,151,993	1,356,856
Pupil Transportation	7,043,400	6,812,891	6,667,168	145,723
Central	2,592,575	2,900,974	2,845,223	55,751
Operation of Non-Instructional Services	26,043	32,143	28,130	4,013
Extracurricular Activities	1,694,885	1,850,423	1,751,907	98,516
Capital Outlay	154,781	89,781	57,432	32,349
Debt Service:				
Principal Retirement	1,696,715	1,696,715	1,696,715	0
Interest and Fiscal Charges	800,480	800,480	800,480	0
<i>Total Expenditures</i>	<u>136,560,155</u>	<u>138,167,407</u>	<u>134,177,007</u>	<u>3,990,400</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(12,857,491)</u>	<u>(11,029,713)</u>	<u>(7,256,320)</u>	<u>3,773,393</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	40,000	40,000	16,567	(23,433)
Advances In	3,303,748	3,303,748	1,663,748	(1,640,000)
Advances Out	(500,000)	(2,273,000)	(621,800)	1,651,200
Transfers Out	(50,000)	(344,030)	(313,246)	30,784
<i>Total Other Financing Sources (Uses)</i>	<u>2,793,748</u>	<u>726,718</u>	<u>745,269</u>	<u>18,551</u>
<i>Net Change in Fund Balance</i>	<u>(10,063,743)</u>	<u>(10,302,995)</u>	<u>(6,511,051)</u>	<u>3,791,944</u>
<i>Fund Balance Beginning of Year</i>	<u>10,683,865</u>	<u>10,683,865</u>	<u>10,683,865</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>1,821,584</u>	<u>1,821,584</u>	<u>1,821,584</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,441,706</u>	<u>\$2,202,454</u>	<u>\$5,994,398</u>	<u>\$3,791,944</u>

**Parma City School District**

*Statement of Fund Net Assets*

*Proprietary Funds*

*June 30, 2009*

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
<b>Assets</b>		
<b><i>Current Assets:</i></b>		
Equity in Pooled Cash and Cash Equivalents	\$1,542,551	\$1,901,717
Accounts Receivable	139,904	0
Intergovernmental Receivable	51,024	0
Inventory Held for Resale	17,490	0
<i>Total Current Assets</i>	1,750,969	1,901,717
<b><i>Noncurrent Assets:</i></b>		
Capital Assets, Net	361,318	0
<i>Total Assets</i>	2,112,287	1,901,717
<b>Liabilities</b>		
<b><i>Current Liabilities:</i></b>		
Accounts Payable	10,866	0
Accrued Wages and Benefits	48,948	0
Claims Payable	0	2,132,483
Compensated Absences Payable	12,431	0
Intergovernmental Payable	118,078	0
Interfund Payable	423,205	0
<i>Total Current Liabilities</i>	613,528	2,132,483
<b><i>Long-Term Liabilities:</i></b>		
Compensated Absences Payable	87,007	0
<i>Total Liabilities</i>	700,535	2,132,483
<b>Net Assets</b>		
Invested in Capital Assets	361,318	0
Unrestricted (Deficit)	1,050,434	(230,766)
<i>Total Net Assets</i>	\$1,411,752	(\$230,766)

See accompanying notes to the basic financial statements

**Parma City School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2009*

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
<b>Operating Revenues</b>		
Tuition	\$1,388,152	\$0
Sales	2,331,683	0
Charges for Services	0	16,780,988
Miscellaneous	39,069	0
<i>Total Operating Revenues</i>	<u>3,758,904</u>	<u>16,780,988</u>
<b>Operating Expenses</b>		
Salaries	2,112,913	0
Fringe Benefits	1,018,463	0
Purchased Services	156,818	895,626
Materials and Supplies	439,681	0
Cost of Sales	1,746,142	0
Depreciation	36,516	0
Claims	0	16,846,760
Other	12,898	0
<i>Total Operating Expenses</i>	<u>5,523,431</u>	<u>17,742,386</u>
<i>Operating Loss</i>	(1,764,527)	(961,398)
<b>Non-Operating Revenues</b>		
Interest	35	0
Operating Grants	1,915,770	0
<i>Change in Net Assets</i>	151,278	(961,398)
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>1,260,474</u>	<u>730,632</u>
<i>Net Assets End of Year</i>	<u><u>\$1,411,752</u></u>	<u><u>(\$230,766)</u></u>

See accompanying notes to the basic financial statements

**Parma City School District**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2009

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$3,768,706	\$16,780,988
Cash Received from Quasi-External		
Other Cash Receipts	4,443	0
Cash Payments to Employees for Services	(2,099,792)	0
Cash Payments for Employee Benefits	(1,039,083)	0
Cash Payments for Goods and Services	(2,153,845)	(895,626)
Cash Payments for Claims	0	(14,714,277)
Other Cash Payments	(12,898)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	(1,532,469)	1,171,085
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating Grants Received	1,721,635	0
<b>Cash Flows from Capital and Related Financing Activities</b>		
Payments for Capital Acquisitions	(94,451)	0
<b>Cash Flows from Investing Activities</b>		
Interest on Investments	35	0
<i>Net Increase in Cash and Cash Equivalents</i>	94,750	1,171,085
<i>Cash and Cash Equivalents</i>		
<i>Beginning of Year - Restated (Note 3)</i>	1,447,801	730,632
<i>Cash and Cash Equivalents End of Year</i>	\$1,542,551	\$1,901,717
See accompanying notes to the basic financial statements		(continued)

**Parma City School District**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
*For the Fiscal Year Ended June 30, 2009*

	<u>Non-Major Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities</b>		
Operating Loss	(\$1,764,527)	(\$961,398)
Adjustments:		
Depreciation	36,516	0
Donated Commodities Received During the Year	195,288	0
Decrease in Assets:		
Accounts Receivable	14,245	0
Inventory Held for Resale	2,646	0
Increase (Decrease) in Liabilities:		
Accounts Payable	7,673	0
Accrued Wages and Benefits	3,243	0
Compensated Absences Payable	(20,420)	0
Intergovernmental Payable	(7,133)	0
Claims Payable	0	2,132,483
	<u>0</u>	<u>2,132,483</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>(\$1,532,469)</u></u>	<u><u>\$1,171,085</u></u>

**Noncash Activity:**

The Food Service Fund received \$195,288 in donated commodities

See accompanying notes to the basic financial statements

**Parma City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2009*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$514,066</u>
<b>Liabilities</b>	
Undistributed Monies	\$35,064
Due to Students	<u>479,002</u>
<i>Total Liabilities</i>	<u>\$514,066</u>

See accompanying notes to the basic financial statements

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**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 1 - Description of the School District and Reporting Entity**

Parma City School District (School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and federal agencies. This Board of Education controls the School District's twenty-four instructional/support facilities staffed by 809 noncertified and 931 certificated full time teaching personnel who provide services to 12,762 students and other community members.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Parma City School District, this includes general operations, food service, adult continuing education, preschool and student related activities of the School District. The following activities are also included within the reporting entity.

***Nonpublic Schools*** Within the School District boundaries, Bethany Lutheran, Community Elementary, Parma Heights Christian Academy and Bethel Christian Academy are operated independently, whereas Holy Family, Incarnate Word Academy, Holy Name High School, St. Anthony of Padua, St. Bridget, St. Charles, St. Columbkille, St. Francis de Sales, St. John Bosco, Padua Franciscan High School and St. Josaphat are operated through the Cleveland Catholic Diocese. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed on behalf of the nonpublic schools by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported as a special revenue fund and a governmental activity of the School District.

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

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

***Cities of Parma, Parma Heights and Seven Hills*** The city governments of Parma, Parma Heights and Seven Hills are separate bodies politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional City services. Council acts as the taxing and budgeting authority for these City services.

***Parent Teacher Association*** The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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The School District participates in three jointly governed organizations. These organizations are the Lakeshore Northeast Ohio Computer Association, the Northeast Ohio Network for Educational Technology and Ohio Schools Council Association, all jointly governed organizations. These organizations are discussed in Note 15 of the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of Parma City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds unless those pronouncements conflict with or contradict GASB pronouncements. The School District has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

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

**Fund Financial Statements** During the year, the School District segregates transactions related to certain School District 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 School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. The fiduciary funds are reported by type.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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***B. Fund Accounting***

The School District 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. The funds of the School District are divided into three categories: governmental, proprietary and fiduciary.

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

***General Fund*** The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

***Bond Retirement Debt Service Fund*** The bond retirement fund is used to account for the accumulation of property tax revenues for, and the payment of, general obligation bonds issued for energy conservation.

***Permanent Improvement Capital Projects Fund*** The permanent improvement capital projects fund accounts for taxes and other revenue to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

***Building Capital Projects Fund*** The building capital projects fund accounts for debt proceeds and other revenue to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

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

***Proprietary Fund Type*** Proprietary funds focus on the determination of operating income, changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The School District has enterprise funds and an internal service fund.

***Enterprise Funds*** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's enterprise funds are used to account for food service operations, adult continuing education operations and extended daycare/preschool operations.

***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical benefits.

***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds which reflect resources that either belong to the student bodies of the various schools for student activities or that are withheld from part-time employees' paychecks for insurance.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**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 associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

**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 current liabilities 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 fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District 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 and the statements presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***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. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

At June 30, 2009, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$426,363 which includes \$271,742 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

***F. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used.

Inventories consist of purchased food and school supplies held for resale, and materials and supplies held for consumption.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Bond Issuance Costs**

Bond issuance costs for underwriting fees and bond insurance for the school improvement general obligation bonds are being amortized using the straight-line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method. On the governmental financial statements, issuance costs are reported as an expenditure in the fiscal year in which the bonds are issued. Bond issuance costs are generally paid from bond proceeds.

As permitted by State Statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

**I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	20 years	N/A
Buildings and Improvements	20-50 years	10-30 years
Furniture and Equipment	5-15 years	10-15 years
Vehicles	10 years	10 years
Textbooks	5 years	N/A

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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***J. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***K. 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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified employees, certified employees and administrators after 14 years of current service with the School District.

***L. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for the payment during the current fiscal year. Bonds, loans, and capital leases are recognized as a liability on the governmental fund financial statements when due.

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include student activities, special education, computer networking, and programs to help students prepare for the proficiency test.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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***N. Fund Balance Reserves***

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales and fees for food service, adult continuing education, extended daycare/preschool programs, and self-insurance. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

***P. Contributions of Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

***Q. Internal Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the governmental-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

***R. Estimates***

The preparation of 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.

***S. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Chief Financial Officer/Budget Director has been given the authority to allocate Board appropriations to the function and object levels.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Chief Financial Officer/Budget Director. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed by the Board of Education.

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

### **Note 3 - Change in Accounting Principles and Restatement of Prior Year Net Assets**

#### ***A. Change in Accounting Principles***

For fiscal year 2009, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards."

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanup. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the School District's financial statements.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the School District's financial statements.

***B. Restatement of Prior Year Net Assets***

Effective July 1, 2008, the School District reclassified the Employee Benefits funds as an internal service fund to better reflect its activity of providing insurance coverage to employees. This accounting change decreased agency fund assets by \$730,632, and increased internal service fund net assets by \$730,632.

**Note 4 - Accountability**

Fund balances at June 30, 2009, included the following individual fund deficits:

<b>Special Revenue Funds</b>	
Alternative Schools	\$27,436
Adult Basic Education	19,059
Title VI-B	175,618
Vocational Education	80,487
Title I	219,297
Title VI	5,852
Preschool Grants	21,248
Title VI-R	69,642
<b>Capital Projects Fund</b>	
Turf Replacement	723,250
<b>Enterprise Fund</b>	
Adult Continuing Education	223,118

The special revenue funds' deficits are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur. The capital projects and enterprise funds' deficits are due to interfund payables to the general fund. These are due to the timing of receipts and will be repaid to the general fund once revenues are received.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$4,291,383)
Net Adjustment for Revenue Accruals	(1,775,746)
Advances In	1,663,748
Net Adjustment for Expenditure Accruals	(27,370)
Advances Out	(313,246)
Adjustment for Encumbrances	<u>(1,767,054)</u>
Budget Basis	<u><u>(\$6,511,051)</u></u>

**Note 6 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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Inactive deposits are public deposits that the Board has identified as not required for use within the current five 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 deposits 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and banker's acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

#### Deposits

*Custodial Credit Risk.* Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$4,905,277 of the School District's bank balance of \$5,513,588 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2009, the School District only had an investment of \$12,988,110 in STAR Ohio, the State Treasurer's Investment Pool. This investment has an average maturity of 58.1 days.

*Interest Rate Risk.* The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

*Credit Risk.* STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no policy regarding credit risk other than statutory guidelines which limit investment choices.

**Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the personal property tax settlements were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009 was \$13,701,808 in the general fund, \$579,696 in the bond retirement debt service fund, and \$338,436 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2008, was \$11,709,615 in the general fund, \$498,912 in the bond retirement debt service fund and \$293,731 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

The late tax settlement made by the County for fiscal year 2009 was \$148,786 in the general fund and \$7,188 in the permanent improvement capital projects fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second		2009 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$2,449,104,240	97.70 %	\$2,451,009,790	98.27 %
Public Utility Personal	26,351,330	1.05	27,545,020	1.10
General Business Personal	31,277,872	1.25	15,638,936	0.63
Total	<u>\$2,506,733,442</u>	<u>100.00 %</u>	<u>\$2,494,193,746</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$64.70		\$65.10	

The School District issued debt in anticipation of tax revenue from the permanent improvement levy. Each year, tax revenues are allocated from the permanent improvement capital projects fund to the bond retirement debt service fund in an amount that is sufficient to pay the debt principal and interest payments.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 6/30/2008	Additions	Deletions	Balance 6/30/2009
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$5,096,730	\$0	\$0	5,096,730
Construction in Progress	3,025,088	347,438	(3,372,526)	0
<i>Total Capital Assets, not being depreciated</i>	<u>8,121,818</u>	<u>347,438</u>	<u>(3,372,526)</u>	<u>5,096,730</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	14,828,546	317,335	0	15,145,881
Buildings and Improvements	95,384,823	97,568	0	95,482,391
Furniture and Equipment	15,126,785	61,915	(231,578)	14,957,122
Vehicles	7,197,482	626,723	(485,819)	7,338,386
Textbooks	2,918,909	0	0	2,918,909
<i>Total Capital Assets, being depreciated</i>	<u>135,456,545</u>	<u>1,103,541</u>	<u>(717,397)</u>	<u>135,842,689</u>
Less Accumulated Depreciation:				
Land Improvements	(5,572,792)	(572,017)	0	(6,144,809)
Buildings and Improvements	(50,636,604)	(1,787,479)	0	(52,424,083)
Furniture and Equipment	(8,951,729)	(981,432)	215,294	(9,717,867)
Vehicles	(4,418,900)	(482,678)	275,041	(4,626,537)
Textbooks	(2,918,909)	0	0	(2,918,909)
Total Accumulated Depreciation	<u>(72,498,934)</u>	<u>(3,823,606)*</u>	<u>490,335</u>	<u>(75,832,205)</u>
Total Capital Assets, being depreciated, net	<u>62,957,611</u>	<u>(2,720,065)</u>	<u>(227,062)</u>	<u>60,010,484</u>
Governmental Activities Capital Assets, Net	<u>\$71,079,429</u>	<u>(\$2,372,627)</u>	<u>(\$3,599,588)</u>	<u>\$65,107,214</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,053,701
Special	45,499
Vocational	44,134
Adult/Continuing	1,852
Support Services:	
Pupils	72,695
Instructional Staff	29,257
Board of Education	2,033
Administration	48,685
Fiscal	10,983
Business	80,393
Operation and Maintenance of Plant	917,875
Pupil Transportation	347,645
Central	13,608
Operation of Non-Instructional Services	48,095
Extracurricular Activities	107,151
Total Depreciation Expense	<u>\$3,823,606</u>

**Parma City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

	Balance 6/30/2008	Additions	Deletions	Balance 6/30/2009
<b>Business-Type Activities</b>				
Buildings and Improvements	\$9,800	\$0	(\$2,162)	\$7,638
Furniture and Equipment	1,672,075	94,451	0	1,766,526
Vehicles	23,132	0	0	23,132
Totals at Historical Cost	<u>1,705,007</u>	<u>94,451</u>	<u>(2,162)</u>	<u>1,797,296</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,538)	(196)	0	(1,734)
Furniture and Equipment	(1,389,677)	(34,007)	2,162	(1,421,522)
Vehicles	(10,409)	(2,313)	0	(12,722)
Total Accumulated Depreciation	<u>(1,401,624)</u>	<u>(36,516)</u> **	<u>2,162</u>	<u>(1,435,978)</u>
Business-Type Activities Capital Asset, Net	<u>\$303,383</u>	<u>\$57,935</u>	<u>\$0</u>	<u>\$361,318</u>

\*\* Depreciation expense was charged to business-type activities as follows:

Food Service	\$25,572
Adult Continuing Education	1,262
Extended Daycare/Preschool	<u>9,682</u>
Total Depreciation Expense	<u>\$36,516</u>

**Note 9 - Receivables**

Receivables at June 30, 2009, consisted of taxes, accounts (rent and tuition), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except for delinquent property taxes and certain interfund receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of governmental activities intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Title I	\$629,534
State Grants	169,822
Title VI-B	165,481
Title VI-R	149,709
Vocational Education	126,809
Limited English Proficiency	87,061
Other Grants	70,809
Adult Basic Education	60,000
Preschool Grant	23,049
Title VI	21,995
Federal Refugee Children	4,379
Drug Free Schools	<u>1,400</u>
Total Governmental Activities	<u>\$1,510,048</u>

Business-type activities had intergovernmental receivables in the amount of \$51,024, all of which was receivable in the food service fund.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 10 - Risk Management**

**A. Property and Liability**

The School District 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. At June 30, 2009, the School District contracted with the following insurance companies:

Company	Type of Coverage	Limit	Deductible
Argonaut Insurance Company	Auto Liability	\$1,000,000	\$1,000
	Comprehensive General Liability		
	General Liability	1,000,000	N/A
	Personal Injury	1,000,000	N/A
	General Aggregate	2,000,000	N/A
	Errors and Omissions	1,000,000	25,000
	School Leaders' Error and Omissions	1,000,000	10,000
	Property Coverage		
	Blanket Building and Contents	288,964,191	25,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

**B. Self-Insurance**

The claims liability of \$2,132,483 reported in the internal service fund at June 30, 2009 is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for unpaid claims cost, including estimates of cost relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Prior to 2009, the School District was not self-insured. Changes in the fund's claims liability amount in 2009 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2009	\$0	\$16,846,760	\$14,714,277	\$2,132,483

**C. Workers' Compensation**

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 11 - Pension Plans**

***A. School Employees Retirement System***

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,827,084, \$1,876,640, and \$1,926,593, respectively; 41.31 percent has been contributed for fiscal year 2009 and 100 percent has been contributed for fiscal years 2008 and 2007.

***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the combined plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligation was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contributions to the DC and Combined Plans for fiscal year 2009 were \$81,700 made by the School District and \$246,857 made by the plan members.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$8,630,865, \$8,592,035, and \$8,244,660, respectively; 76.40 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

## **Note 12 - Postemployment Benefits**

### ***A. School Employees Retirement System***

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800. During fiscal year 2009, the School District paid \$300,126 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,142,912, \$1,162,675, and \$910,072 respectively; 41.31 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007, were \$150,750, \$135,216 and \$131,008 respectively; 41.31 percent has been contribution for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

***B. State Teachers Retirement System***

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$663,913, \$660,926, and \$634,753 respectively; 76.40 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**Note 13 - Other Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are on twelve month contracts earn up to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators who are on twelve month contracts upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month of service or fifteen days for each completed year of service. There is no limit on the maximum number of sick leave days that may be accumulated.

Upon retirement, certified employees with less than fourteen years of service with the School District are paid a sum equal to one-fourth of their unused sick leave balance times their daily rate up to a maximum accumulation of thirty days. Upon separation, certified employees with fourteen years of service or more with the School District, hired prior to May 1, 1996, receive a lump sum payment for their total accumulated sick leave balance times their daily rate, up to a maximum accumulation of sixty days. Any certified employee with a balance of greater than 150 days also receives an additional ten percent of accrued and unused sick leave above the 150 days. Certified employees with fourteen years of service or more, hired after May 1, 1996 who retire from employment, receive a lump sum payment for one-fourth of their accrued and unused sick leave times their daily rate up to a maximum accumulation of ninety-five days.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

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Classified employees with fourteen years of service or more with the School District are paid a sum upon separation (regardless of whether retiring) equal to the value of the percentages below, to a maximum of 82.5 days:

Accrued and Unused Sick Days	Maximum Days Paid Upon Separation
0 - 100 days at 30%	30.0
101 - 146 days at 50%	22.5
147 - 197 days at 75%	37.5
198 - 242 days at 100%	44.0
	134.0

***B. Insurance Benefits***

The School District provides life insurance and accidental death and dismemberment insurance through Anthem Life. Certified employees working two and one-half hours or more per day and administrators receive \$50,000 term life and accidental death and dismemberment coverage. Classified employees who work four to six hours per day receive \$20,000 coverage, and those who work six hours or more per day receive \$30,000 coverage for term life insurance and accidental death and dismemberment.

The School District also provides medical/surgical insurance and prescription drug coverage through Anthem Blue Cross and Blue Shield and is self insured (see Note 10); vision insurance is through Anthem Blue Cross and Blue Shield, and dental insurance through MetLife to all eligible employees.

**Note 14 - Long-Term Obligations**

The original issue date, interest rate, original issue amount and date of maturity of each of the School District's bonds and note follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Byers Field General Obligation Bonds - 1999	5.5400%	\$2,485,000	December 1, 2008
Construction Note - 2002	3.6036%	20,000,000	December 1, 2012
Construction Note - 2006	3.0000%	11,000,000	December 1, 2015
Energy Conservation Loan - 2003 (Phase IV)	3.0000-4.7500%	2,240,000	December 28, 2016
Energy Conservation Loan - 2004 (Phase V)	4.6000%	6,817,000	June 28, 2017
Energy Conservation Loan - 2004 (Phase VI)	4.3900%	5,477,606	April 23, 2019
Energy Conservation Loan - 2005 (Phase VII)	4.4900%	2,500,000	February 18, 2020
Energy Conservation Loan - 2006 (Phases VIII & IX)	4.3500%	3,458,570	May 31, 2021
Energy Conservation Loan - 2008 (Phase X)	4.2900%	2,511,519	July 30, 2022
Certificates of Participation - 2006	4.0000%	12,580,000	December 1, 2017

**Parma City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/2008	Additions	(Reductions)	Principal Outstanding 6/30/2009	Amount Due in One Year
<b>Governmental Activities:</b>					
1999 Byers Field General Obligation Bonds	\$340,000	\$0	(\$340,000)	\$0	\$0
2002 Construction Note	11,030,000	0	(2,050,000)	8,980,000	2,120,000
2006 Construction Note	9,190,000	0	(1,015,000)	8,175,000	1,050,000
Unamortized Premium on Construction Note	128,258	0	(16,032)	112,226	0
2003 Energy Conservation Loan (Phase IV)	1,591,000	0	(148,000)	1,443,000	154,000
2004 Energy Conservation Loan (Phase V)	4,755,000	0	(449,000)	4,306,000	465,000
2004 Energy Conservation Loan (Phase VI)	4,345,914	0	(314,996)	4,030,918	328,976
2005 Energy Conservation Loan (Phase VII)	2,123,653	0	(137,009)	1,986,644	143,230
2006 Energy Conservation Loan (Phases VIII & IX)	3,115,822	0	(182,758)	2,933,064	190,795
2008 Energy Conservation Loan (Phase X)	2,451,004	0	(124,952)	2,326,052	130,370
2006 Certificates of Participation	12,415,000	0	(180,000)	12,235,000	180,000
Unamortized Discount on Certificates of Participation	(84,015)	0	8,402	(75,613)	0
Capital Lease	2,392,789	137,000	(336,043)	2,193,746	363,913
Compensated Absences	9,490,193	717,498	(781,402)	9,426,289	924,689
<b>Total Governmental Activities</b>	<b>\$63,284,618</b>	<b>\$854,498</b>	<b>(\$6,066,790)</b>	<b>\$58,072,326</b>	<b>\$6,050,973</b>
<b>Business-Type Activities:</b>					
Compensated Absences	\$119,858	\$4,312	(\$24,732)	\$99,438	\$12,431

On July 15, 1999, the School District issued bonds in the amount of \$2,485,000. The proceeds were used to repay the \$370,000 Byers Field bond anticipation note and the \$2,350,000 House Bill 264 Energy Conservation Note.

In December 2002, June 2003, April 2004, February 2005, May 2006, and July 2007 the School District issued energy conservation loans in the amounts of \$2,240,000, \$6,817,000, \$5,477,606, \$2,500,000, \$3,458,570, and \$2,511,519, respectively. The proceeds were used to renovate school facilities in order to improve energy conservation measures.

The 2002 construction note was used for the purpose of acquiring, constructing, enlarging and renovating certain property of the School District. This note will be repaid over 10 years.

The 2006 construction note was used for the purpose of providing for general permanent improvements of the School District. This note will be repaid over 11 years.

In June 2006, the School District entered a lease agreement with the Parma CSD Leasing Corporation for the purpose of constructing, furnishing, improving and equipping Parma Senior High School, Valley Forge Senior High School, Pleasant Valley Elementary School and Greenbriar Middle School. The Parma CSD Leasing Corporation entered an agreement with a trustee through which it assigned and transferred its rights, title, and interest under the lease to Huntington National Bank as Trustee. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semiannual lease payments. The Certificates of Participation will be repaid over 12 years.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

The note liability will be paid from the bond retirement fund. The certificates of participation will be paid from the permanent improvement capital projects fund. The general obligation bonds and energy conservation loans will be paid from the general fund. Capital leases will be paid from the general fund and permanent improvement fund. Compensated absences will be paid from the general fund and the food service, adult continuing education and extended daycare/preschool enterprise funds.

The School District's overall legal debt margin was \$223,252,127 with an unvoted debt margin of \$2,472,584 at June 30, 2009. Principal and interest requirements to retire the debt outstanding at June 30, 2009, are as follows:

Fiscal Year Ending June 30,	Construction Notes		Energy Conservation Loans	
	Principal	Interest	Principal	Interest
2010	\$3,170,000	\$607,660	\$1,412,371	\$733,704
2011	3,275,000	484,156	1,471,518	673,953
2012	3,415,000	350,506	1,535,223	609,507
2013	3,540,000	218,563	1,602,552	542,232
2014	1,205,000	129,588	1,672,581	472,017
2015-2019	2,550,000	112,750	7,772,233	1,217,020
2020-2024	0	0	1,559,200	105,014
Total	<u>\$17,155,000</u>	<u>\$1,903,223</u>	<u>\$17,025,678</u>	<u>\$4,353,447</u>

Fiscal Year Ending June 30,	Certificates of Participation		Total	
	Principal	Interest	Principal	Interest
2010	\$180,000	\$480,825	\$4,762,371	\$1,822,189
2011	190,000	473,425	4,936,518	1,631,534
2012	200,000	465,625	5,150,223	1,425,638
2013	210,000	457,425	5,352,552	1,218,220
2014	1,990,000	415,912	4,867,581	1,017,517
2015-2019	9,465,000	762,900	19,787,233	2,092,670
2020-2024	0	0	1,559,200	105,014
Total	<u>\$12,235,000</u>	<u>\$3,056,112</u>	<u>\$46,415,678</u>	<u>\$9,312,782</u>

**Note 15 - Jointly Governed Organizations**

***A. Lakeshore Northeast Ohio Computer Association***

The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau that was formed for the purpose of providing data services to the sixteen member districts. Major areas of service provided by LNOCA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Each school district supports LNOCA based upon a per pupil charge dependent upon the software packages used. In fiscal year 2009, the School District paid \$7,744 to LNOCA. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, OH 44125.

***B. Northeast Ohio Network for Educational Technology***

The Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEONET is a jointly governed organization among twenty-seven school districts and the Summit County Educational Service Center. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Board of Directors consists of member district superintendents and treasurers. The manager/director is a permanent, non-voting member of the board of directors. Each school district's control is limited to its representation on the board. The Board of Directors exercise total control over the operations of the association including budgeting, appropriating, contracting and designating management. All association revenues are generated from charges for services and State funding. The School District does not retain an ongoing financial interest or an ongoing financial responsibility in NEONET. Payments to NEONET are made from the general fund. During the current fiscal year, the School District paid \$126,930 to NEONET. Financial information can be obtained by writing to the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, OH 44221.

***C. Ohio Schools Council Association***

The Ohio Schools Council Association (Council) is a jointly governed organization among 121 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2009, the School District paid \$16,992 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The Council provides participating school districts the ability to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. There are currently 137 districts in the Program, including Parma City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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The School District also participates in the Council's electric purchase program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates if the school district committed to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006 and ending December 31, 2008. Each month, the Council invoices participants based on estimated usage that was determined when the program was established. Each September, these estimated payments are compared to their actual usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced.

**Note 16 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the fiscal year end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute.

	Textbooks Instructional Materials Reserve	Capital Improvement Reserve
Set-aside Reserve Balance as of June 30, 2008	(\$2,496,076)	\$0
Current Year Set-aside Requirement	2,048,144	2,048,144
Offsets During the Fiscal Year	0	(2,493,492)
Qualifying Disbursements	(2,401,236)	(578,874)
Totals	(\$2,849,168)	(\$1,024,222)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$2,849,168)	\$0
Set-aside Reserve Balance as of June 30, 2009	\$0	\$0

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 17 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

**B. Litigation**

The School District is party to legal proceedings. The School Board is of the opinion that the ultimate disposition of the current proceedings will not have a material effect, if any, on the financial condition of the School District.

**Note 18 - Capital Leases**

The School District entered into capital leases for a copier machine, fax machines, and phones. In fiscal year 2009, the School District entered into a capital lease with Xerox for a printer for the School District. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases." Capital lease payments have been reclassified and are reflected as debt service expenditures in the general and permanent improvement funds on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized and depreciated as follows:

Furniture and Equipment	\$2,856,054
Less: Accumulated Depreciation:	<u>(769,089)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u><u>\$2,086,965</u></u>

The lease agreements provide for minimum, annual lease payments as follows:

	Governmental Activities
2010	\$481,485
2011	481,485
2012	445,287
2013	315,175
2014	231,530
2015-2018	<u>708,389</u>
Total Minimum Lease Payments	2,663,351
Less: Amounts Representing Interest	<u>(469,605)</u>
Present Value of Minimum Lease Payment	<u><u>\$2,193,746</u></u>

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 19 - Interfund Transactions**

Interfund balances at June 30, 2009, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$3,347,569	\$0
Debt Service Fund:		
Bond Retirement	0	617,823
Special Revenue Funds:		
Public School Support	0	16,400
Other Grants	0	25,000
Adult Basic Education	0	12,000
Title VI-B	0	363,012
Vocational Education	0	121,297
Title I	0	21,800
Title VI	0	9,000
Preschool Grant	0	13,000
Title VI-R	0	64,000
Vocational Education Enhancement	0	7,682
Limited English Proficiency	0	77,000
<i>Total Special Revenue Funds</i>	0	730,191
Capital Projects Funds:		
Permanent Improvement	0	750,000
Turf Replacement	0	826,350
<i>Total Capital Projects Funds</i>	0	1,576,350
Enterprise Funds:		
Adult Continuing Education	0	252,802
Extended Daycare/Preschool	0	170,403
<i>Total Enterprise Funds</i>	0	423,205
<b>Total All Funds</b>	<b>\$3,347,569</b>	<b>\$3,347,569</b>

The interfund payable in the bond retirement fund is related to debt payments, to be repaid with tax revenues. Interfund payables in the special revenue funds are due to the timing of the receipt of grant monies received by the various funds. The capital projects payable is due to the start of improvement projects before the permanent improvement tax levy collections began. Interfund payables exist in the enterprise funds due to the timing of the receipt of various revenue sources. All balances are expected to be paid next fiscal year except for the advances between the general fund and the turf replacement capital projects and adult continuing education enterprise funds.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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Transfers made during the year ended June 30, 2009 were as follows:

<u>Transfers To</u>	<u>Transfer From</u> <u>General Fund</u>
Permanent Improvement Fund	\$35,047
Nonmajor Special Revenue Funds	278,199
Total	<u>\$313,246</u>

The transfers are to move unrestricted balances to support programs and projects accounted for in other funds.

**Note 20 – Subsequent Events**

On November 3, 2009 the School District placed a 10 year, 5.5 mill emergency levy on the ballot. Voters did not pass this levy.

During 2009, the United States Attorney from the U.S. District Court for the Northeast District of Ohio charged that a member of the District's Board of Education improperly benefited from public contracts. The Board member resigned from the Board in March 2009 and plead guilty to those charges on July 1, 2009. Any adverse outcome (fine, etc.) from those charges applied will apply to the former Board of Education member and not to the School District.

**Note 21 – Related Party Transaction**

During 2009, the School District paid \$3,321 to ABC rentals which is a family owned business of the former Superintendent's husband.

**PARMA CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. Department of Agriculture</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
National School Breakfast Program	2009	10.553	\$154,411	\$0	\$154,411	\$0
National School Lunch Program	2009	10.555	1,474,093	195,288	1,474,093	195,288
Total Nutrition Cluster			<u>1,628,504</u>	<u>195,288</u>	<u>1,628,504</u>	<u>195,288</u>
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<b><u>1,628,504</u></b>	<b><u>195,288</u></b>	<b><u>1,628,504</u></b>	<b><u>195,288</u></b>
<b><u>U.S. Department of Education</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States, IDEA Part B	2008	84.027	411,628	0	374,402	0
	2009	84.027	2,922,916	0	2,847,032	0
			<u>3,334,544</u>	<u>0</u>	<u>3,221,434</u>	<u>0</u>
Special Education Preschool Grants	2008	84.173	25,487	0	22,206	0
	2009	84.173	93,331	0	103,443	0
			<u>118,818</u>	<u>0</u>	<u>125,649</u>	<u>0</u>
<b>Total Special Education Cluster</b>			<b><u>3,453,362</u></b>	<b><u>0</u></b>	<b><u>3,347,083</u></b>	<b><u>0</u></b>
Adult Education - State Grant Program	2008	84.002	13,299	0	9,936	0
	2009	84.002	148,703	0	157,274	0
			<u>162,002</u>	<u>0</u>	<u>167,210</u>	<u>0</u>
Title I Grants to Local Educational Agencies	2007	84.010	0	0	17,031	0
	2008	84.010	307,275	0	291,722	0
	2009	84.010	1,788,005	0	1,746,177	0
			<u>2,095,280</u>	<u>0</u>	<u>2,054,930</u>	<u>0</u>
Safe and Drug Free Schools and Communities	2009	84.186	33,372	0	33,013	0
Vocational Education - State Grant Program (Perkins Grant)	2008	84.048	82,425	0	106,280	0
	2009	84.048	88,649	0	156,089	0
			<u>171,074</u>	<u>0</u>	<u>262,369</u>	<u>0</u>
Twenty-First Century Community Learning Centers	2008	84.287	43,229	0	18,045	0
	2009	84.287	124,321	0	172,767	0
			<u>167,550</u>	<u>0</u>	<u>190,812</u>	<u>0</u>
Title V, Innovative Educational Program Strategies	2008	84.298	6,561	0	5,526	0
	2009	84.298	12,952	0	15,419	0
			<u>19,513</u>	<u>0</u>	<u>20,945</u>	<u>0</u>
Title IID, Education Technology State Grants	2008	84.318	0	0	(18,874)	0
	2009	84.318	17,323	0	20,257	0
			<u>17,323</u>	<u>0</u>	<u>1,383</u>	<u>0</u>
Title IIA, Improving Teacher Quality	2008	84.367	35,545	0	48,254	0
	2009	84.367	387,046	0	364,689	0
			<u>422,591</u>	<u>0</u>	<u>412,943</u>	<u>0</u>
Title III, English Language Acquisition Grant (LEP)	2008	84.365	16,038	0	23,328	0
	2009	84.365	27,581	0	75,697	0
			<u>43,619</u>	<u>0</u>	<u>99,025</u>	<u>0</u>
Javits Gifted Grant	2009	84.206	3,000	0	0	0
<b>Total U.S. Department of Education</b>			<b><u>6,588,686</u></b>	<b><u>0</u></b>	<b><u>6,589,713</u></b>	<b><u>0</u></b>
<b><u>U.S. DEPARTMENT OF HUMAN SERVICES</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Refugee Impact and Entrant Assistance	2008	93.576	3,414	0	2,360	0
	2009	93.576	0	0	1,059	0
			<u>3,414</u>	<u>0</u>	<u>3,419</u>	<u>0</u>
<b>Total U.S. Department of Human Services</b>			<b><u>3,414</u></b>	<b><u>0</u></b>	<b><u>3,419</u></b>	<b><u>0</u></b>
<b><u>U.S. Department of Justice</u></b>						
<i>Direct Program</i>						
Gang Resistance Education and Training	2008	16.737	26,422	0	27,922	0
<b>Total U.S. Department of Justice</b>			<b><u>26,422</u></b>	<b><u>0</u></b>	<b><u>27,922</u></b>	<b><u>0</u></b>
<b>Total Federal Financial Assistance</b>			<b><u>8,247,026</u></b>	<b><u>195,288</u></b>	<b><u>8,249,558</u></b>	<b><u>195,288</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**PARMA CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Parma City School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants and local monies. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

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



# Mary Taylor, CPA

Auditor of State

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

Parma City School District  
Cuyahoga County  
5311 Longwood Avenue  
Parma, OH 44134

To the Board of Education:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Parma City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 27, 2010 wherein we noted the District reclassified the July 1, 2008 assets of the Employee Benefits Agency Funds as an Internal Service Fund to properly account for self-insurance activity of the District. We also disclosed there were allegations that a former member of the District's Board of Education had improper interests in certain public contracts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2009-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated September 27, 2010.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District'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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated September 27, 2010.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 27, 2010



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Parma City School District  
Cuyahoga County  
5311 Longwood Avenue  
Parma, Ohio 44134

#### Compliance

We have audited the compliance of Parma City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Parma City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more than inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 27, 2010

**PARMA CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other 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>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other 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>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<p>1. Child Nutrition Cluster: - National School Breakfast Program - CFDA #10.553; - National School Lunch Program - CFDA #10.555.</p> <p>2. Title I, Grants to Local Educational Agencies - CFDA #84.010</p> <p>3. Special Education Cluster: - Special Education Grants to States, IDEA Part B – CFDA #84.027; - Special Education Preschool Grants – CFDA # 84.173.</p>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

PARMA CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

SCHEDULE OF AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009  
(Continued)

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

<b>FINDING NUMBER</b>	<b>2009-001</b>
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Related Party Transactions

A former member of the Board of Education, who voted to approve a contract for building improvements through the Ohio School Facility Commission, appeared in advertisements for the contractor who was awarded the contract and may or may not have been paid for his endorsement.

The District does not have procedures in place to identify related party transactions. The District did not require full disclosure statements from all elected and appointed officials and employees. The failure to disclose related party transactions could lead to financial transactions being entered into which are in disagreement with the directives of the Board of Education and the administration of the District.

We recommend the Board of Education request full disclosure of all related party transactions of the Board members and all employees of the District.

*Officials' Response:* For clarification, J. Kevin Kelly was the Board member who is referred to above. He resigned from the Board in March 2009.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**PARMA CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	The District does not have procedures in place to identify related party transactions.	No	Not Corrected. Will repeat as Finding Number 2009-001.

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# Mary Taylor, CPA

Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

Parma City School District  
Cuyahoga County  
5311 Longwood Avenue  
Parma, Ohio 44134

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Parma City School District has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy on December 10, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



**Mary Taylor, CPA**  
Auditor of State

September 27, 2010



**Mary Taylor, CPA**  
Auditor of State

**PARMA CITY SCHOOL DISTRICT**

**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  
OCTOBER 14, 2010**