



Dave Yost • Auditor of State

**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Parma City School District, Cuyahoga County, Ohio, (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

Opinion

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 the Parma City School District, Cuyahoga County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 28, 2014

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Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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, 2013. 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 2013 are as follows:

- Total net position of governmental activities increased compared to fiscal year 2012. This increase was the result of an increase in property tax collections due to the passage of the 6.9 mill emergency levy, passed in May 2011. Fiscal year 2012 was the first full year of collections. The increase is also the result of no increase in the cost of health care and budgetary constraints.
- The Board of Education imposed an absolute freeze on all employee salaries and wages (no increments or education credits). The Board also raised the health insurance premium share for the certified staff from 5 percent to 15 percent.

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 Position* 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, although the permanent improvement capital projects fund is also considered to be a major fund.

Reporting the School District as a Whole

Statement of Net Position 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 2013 fiscal year?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities (except fiduciary funds) 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, 2013
Unaudited

These two statements report the School District's net position and changes in that position. This change in net position 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 position 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 Position 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 10. 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, and the permanent improvement 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 Position 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, 2013
Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to fiscal year 2012:

Table 1
Net Position
(In millions)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$128.8	\$133.4	\$2.3	\$2.0	\$131.1	\$135.4
Capital Assets, Net	53.9	56.6	0.3	0.3	54.2	56.9
Total Assets	182.7	190.0	2.6	2.3	185.3	192.3
Liabilities						
Current and Other Liabilities	16.9	16.6	0.1	0.2	17.0	16.8
Long-Term Liabilities:						
Due Within One Year	5.4	6.7	0.0	0.0	5.4	6.7
Due in More than One Year	29.2	37.3	0.2	0.2	29.4	37.5
Total Liabilities	51.5	60.6	0.3	0.4	51.8	61.0
Deferred Inflows of Resources						
Property Taxes	78.3	79.3	0.0	0.0	78.3	79.3
Net Position						
Net Investment in Capital Assets	26.9	24.3	0.3	0.3	27.2	24.6
Restricted						
Capital Projects	3.2	4.9	0.0	0.0	3.2	4.9
Debt Service	0.1	0.1	0.0	0.0	0.1	0.1
Other Purposes	0.6	1.2	0.0	0.0	0.6	1.2
Unrestricted	22.1	19.6	2.0	1.6	24.1	21.2
Total Net Position	\$52.9	\$50.1	\$2.3	\$1.9	\$55.2	\$52.0

Total assets of governmental activities decreased \$7.3 million. This decrease was due mainly to decreases in cash and cash equivalents due to increased expenses, as well as decreases in property taxes receivable and capital assets. Property taxes decreased due to lower certifications from the County Fiscal Officer.

Total liabilities for governmental activities decreased \$9.1 million. This decrease was due to the decrease in long-term liabilities as a result of employees leaving the School District, as well as the paying down of outstanding debt.

Table 2 shows the changes in net position for fiscal year 2013 for both governmental and business-type activities.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 2
Change in Net Position
(In millions)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charges for Services and Sales	\$5.7	\$6.0	\$3.0	\$3.2	\$8.7	\$9.2
Operating Grants and Contributions	11.7	11.6	0.0	0.3	11.7	11.9
Capital Grants and Contributions	0.9	1.1	0.0	0.0	0.9	1.1
<i>Total Program Revenues</i>	<u>18.3</u>	<u>18.7</u>	<u>3.0</u>	<u>3.5</u>	<u>21.3</u>	<u>22.2</u>
General Revenues:						
Property Taxes	93.8	92.6	0.0	0.0	93.8	92.6
Payment in Lieu of Taxes	0.1	0.3	0.0	0.0	0.1	0.3
Grants and Entitlements	40.4	41.9	2.4	2.3	42.8	44.2
Unrestricted Contributions and Donations	0.1	0.0	0.0	0.0	0.1	0.0
Miscellaneous	1.6	0.9	0.0	0.0	1.6	0.9
<i>Total General Revenues</i>	<u>136.0</u>	<u>135.7</u>	<u>2.4</u>	<u>2.3</u>	<u>138.4</u>	<u>138.0</u>
Extraordinary Item - Settlement	0.0	2.4	0.0	0.0	0.0	2.4
Total Revenues and Extraordinary Item	<u>154.3</u>	<u>156.8</u>	<u>5.4</u>	<u>5.8</u>	<u>159.7</u>	<u>162.6</u>
Program Expenses						
Instruction	86.7	86.5	0.0	0.0	86.7	86.5
Support Services:						
Pupils and Instructional Staff	21.7	20.7	0.0	0.0	21.7	20.7
Board of Education, Administration, Fiscal and Business	15.0	14.8	0.0	0.0	15.0	14.8
Operation and Maintenance of Plant	10.5	9.9	0.0	0.0	10.5	9.9
Pupil Transportation	5.9	5.5	0.0	0.0	5.9	5.5
Central	2.8	2.9	0.0	0.0	2.8	2.9
Operation of Non-Instructional Services	4.2	3.1	0.0	0.0	4.2	3.1
Enterprise Operations	0.0	0.0	5.0	5.5	5.0	5.5
Extracurricular Activities	3.1	3.2	0.0	0.0	3.1	3.2
Interest and Fiscal Charges	1.6	1.5	0.0	0.0	1.6	1.5
Total Program Expenses	<u>151.5</u>	<u>148.1</u>	<u>5.0</u>	<u>5.5</u>	<u>156.5</u>	<u>153.6</u>
Change in Net Position	2.8	8.7	0.4	0.3	3.2	9.0
<i>Net Position Beginning of Year</i>	<u>50.1</u>	<u>41.4</u>	<u>1.9</u>	<u>1.6</u>	<u>52.0</u>	<u>43.0</u>
<i>Net Position End of Year</i>	<u>\$52.9</u>	<u>\$50.1</u>	<u>\$2.3</u>	<u>\$1.9</u>	<u>\$55.2</u>	<u>\$52.0</u>

Total governmental activities net position increased \$2.8 million. Property taxes increased \$1.2 million due to an increase in property tax collections as the result of a full year's collection of the 6.9 mill emergency levy.

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

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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 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.

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 just over 60 percent of revenues for governmental activities for the School District in fiscal year 2013.

The largest Governmental Activities program expense remains instruction, comprising approximately 57.2 percent of total expenses. When combined with pupils and instructional support these categories make up 71.6 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 governmental 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 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Instruction	\$86.7	\$80.1	\$86.5	\$79.9
Support Services:				
Pupils and Instructional Staff	21.7	17.1	20.7	16.1
Board of Education, Administration				
Fiscal and Business	15.0	13.6	14.8	12.8
Operation and Maintenance of Plant	10.5	9.9	9.9	9.5
Pupil Transportation	5.9	5.2	5.5	4.8
Central	2.8	2.7	2.9	2.8
Operation of Non-Instructional Services	4.2	0.6	3.1	(0.3)
Extracurricular Activities	3.1	2.3	3.2	2.3
Interest and Fiscal Charges	1.6	1.6	1.5	1.5
Total	\$151.5	\$133.1	\$148.1	\$129.4

The dependence upon tax revenues for governmental activities is apparent. 63.8 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.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Business-Type Activities

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

Overall net position increased \$0.4 million in fiscal year 2013. 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 18. These funds are accounted for using the modified accrual basis of accounting. The general fund had total revenues of \$136.4 million and expenditures of \$135.7 million. The net change in fund balance for the year was an increase of approximately \$740,000. Revenues increased primarily as the result of the increase in property tax collections.

The permanent improvement capital projects fund had total revenues of \$6.1 million and expenditures of \$7.7 million. The net change in fund balance for the year was a decrease of \$1.6 million, which was due to more expenditures for improvements in fiscal year 2013 compared to fiscal year 2012.

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.

For the general fund, original and final budget basis estimated revenues were \$131.8 million and \$136.9 million, respectively. This increase was due to a conservative approach to revenue estimates at the beginning of the fiscal year. Total actual revenues were \$136.5 million.

During the course of fiscal year 2013, the School District amended its general fund budget several times. Final appropriations for the general fund increased by \$2.3 million from the original appropriations due to the conservative approach to spending. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$139.0 million.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal 2013 balances compared to fiscal 2012:

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$5.1	\$5.1	\$0.0	\$0.0	\$5.1	\$5.1
Land Improvements	7.4	7.9	0.0	0.0	7.4	7.9
Buildings and Improvements	37.1	38.4	0.0	0.0	37.1	38.4
Furniture and Equipment	2.2	3.1	0.3	0.3	2.5	3.4
Vehicles	2.2	2.1	0.0	0.0	2.2	2.1
Totals	\$54.0	\$56.6	\$0.3	\$0.3	\$54.3	\$56.9

For fiscal year 2013, an Ohio law required school districts to set aside three percent of certain revenues for capital improvements which amounted to approximately \$2.0 million. For fiscal year 2013, the School District had qualifying disbursements or offsets exceeding these requirements. See Note 10 to the basic financial statements for additional information on capital assets and Note 20 for additional information on set-asides.

Debt

At June 30, 2013, the School District had \$26.2 million in notes, loans, and certificates of participation outstanding, with \$4.9 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, 2013
Unaudited

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

	Governmental Activities	
	2013	2012
2002 Construction Note	\$0.0	\$2.4
2006 Construction Note	3.8	4.9
2006 Construction Note Unamortized Premium	0.0	0.1
2003 Energy Conservation Loan (Phase IV)	0.8	1.0
2004 Energy Conservation Loan (Phase V)	2.3	2.9
2004 Energy Conservation Loan (Phase VI)	2.6	3.0
2005 Energy Conservation Loan (Phase VII)	1.4	1.5
2006 Energy Conservation Loan (Phase VIII & IX)	2.1	2.3
2008 Energy Conservation Loan (Phase X)	1.8	1.9
2006 Certificates of Participation	11.4	11.7
2006 Certificates of Participation Unamortized Discount	0.0	(0.1)
Totals	<u>\$26.2</u>	<u>\$31.6</u>

In fiscal year 2002, the School District borrowed \$20 million in a construction note for capital repairs and improvements. This note was paid off in December 2012.

In fiscal year 2006, the School District borrowed \$11 million in a construction note. The construction note is to provide for the general ongoing permanent improvements of the School District and will be paid off in 2015.

In fiscal year 2003, the School District borrowed \$2.2 million for a HB 264 Energy Conservation project. The loan will be paid off in 2016.

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

In fiscal year 2006, the School District borrowed \$3.5 million in an energy conservation loan. The energy conservation loan is for two HB 264 Energy Conservation projects and will be paid off in 2021.

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

In fiscal year 2006, the School District borrowed \$12.6 million in certificates of participation. The certificates of participation were issued for capital improvements to several school buildings and will be paid off in 2017.

At June 30, 2013, the School District's overall legal debt margin was \$182.2 million with an unvoted debt margin of \$2.0 million. See Note 16 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, 2013
Unaudited

School District Outlook

In April 2011, the Superintendent recommended further consolidation of the School District. The plan called for the eighth grade moving into the high schools, the middle schools becoming grades 5, 6, and 7 and the elementary buildings housing kindergarten to fourth grade. This plan resulted in the ability to close four elementary buildings and save about \$2,000,000 per year in operating costs. This plan was implemented at the beginning of the 2012-13 school year.

The Auditor of State has released the performance audit for Parma City Schools. While some items it recommends are accomplished, the School District will rely on the recommendations to seek further cost containments.

The Parma City School District has committed itself to fiscal discipline based on long-term plans, 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.

Basic Financial Statements

Parma City School District

Statement of Net Position

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$26,492,440	\$2,686,687	\$29,179,127
Accounts Receivable	690,246	0	690,246
Intergovernmental Receivable	1,820,694	0	1,820,694
Internal Balances	423,205	(423,205)	0
Materials and Supplies Inventory	179,710	0	179,710
Inventory Held for Resale	0	20,902	20,902
Property Taxes Receivable	99,145,074	0	99,145,074
Nondepreciable Capital Assets	5,096,730	0	5,096,730
Depreciable Capital Assets, Net	48,864,793	329,430	49,194,223
<i>Total Assets</i>	<u>182,712,892</u>	<u>2,613,814</u>	<u>185,326,706</u>
Liabilities			
Accounts Payable	678,892	16,042	694,934
Contracts Payable	387,288	0	387,288
Accrued Wages and Benefits	9,477,814	50,491	9,528,305
Intergovernmental Payable	4,001,699	86,996	4,088,695
Matured Compensated Absences Payable	564,274	0	564,274
Accrued Interest Payable	84,805	0	84,805
Claims Payable	1,678,268	0	1,678,268
Long-Term Liabilities:			
Due Within One Year	5,424,644	41,873	5,466,517
Due In More Than One Year	29,168,523	143,278	29,311,801
<i>Total Liabilities</i>	<u>51,466,207</u>	<u>338,680</u>	<u>51,804,887</u>
Deferred Inflows of Resources			
Property Taxes	<u>78,292,667</u>	<u>0</u>	<u>78,292,667</u>
Net Position			
Net Investment in Capital Assets	26,965,836	329,430	27,295,266
Restricted for:			
Capital Projects	3,162,468	0	3,162,468
Debt Service	132,902	0	132,902
District Managed Student Activities	317,141	0	317,141
Auxiliary Services	154,669	0	154,669
Other Purposes	90,120	0	90,120
Unclaimed Funds	17,135	0	17,135
Unrestricted	<u>22,113,747</u>	<u>1,945,704</u>	<u>24,059,451</u>
<i>Total Net Position</i>	<u>\$52,954,018</u>	<u>\$2,275,134</u>	<u>\$55,229,152</u>

See accompanying notes to the basic financial statements

Parma City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction:				
Regular	\$61,545,924	\$2,220,310	\$200,030	\$0
Special	21,354,515	705,715	2,474,520	0
Vocational	2,750,983	98,131	102,799	0
Adult/Continuing	900,703	384	782,394	0
Student Intervention Services	150,816	5,640	0	0
Support Services:				
Pupils	11,581,625	386,480	843,725	114,856
Instructional Staff	10,102,860	256,469	2,985,249	0
Board of Education	707,503	26,419	0	0
Administration	9,470,566	327,518	676,568	0
Fiscal	3,087,280	111,766	0	200,881
Business	1,737,883	64,130	0	0
Operation and Maintenance of Plant	10,478,160	363,095	0	233,493
Pupil Transportation	5,843,015	213,257	24,528	377,079
Central	2,819,266	115,867	27,090	0
Operation of Non-Instructional Services	4,143,131	2,255	3,528,808	0
Extracurricular Activities	3,045,726	764,531	19,367	0
Interest and Fiscal Charges	1,635,825	0	0	0
<i>Total Governmental Activities</i>	<u>151,355,781</u>	<u>5,661,967</u>	<u>11,665,078</u>	<u>926,309</u>
Business-Type Activities				
Food Service	3,859,267	1,782,041	0	0
Adult Continuing Education	99,154	111,445	0	0
Extended Day Care/Preschool	1,055,046	1,067,960	0	0
<i>Total Business-Type Activities</i>	<u>5,013,467</u>	<u>2,961,446</u>	<u>0</u>	<u>0</u>
<i>Totals</i>	<u>\$156,369,248</u>	<u>\$8,623,413</u>	<u>\$11,665,078</u>	<u>\$926,309</u>

General Revenues

Property Taxes Levied for:
 General Purposes
 Capital Projects
Grants and Entitlements not
 Restricted to Specific Programs
Investment Earnings
Payments in Lieu of Taxes
Unrestricted Contributions and Donations
Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$59,125,584)	\$0	(\$59,125,584)
(18,174,280)	0	(18,174,280)
(2,550,053)	0	(2,550,053)
(117,925)	0	(117,925)
(145,176)	0	(145,176)
(10,236,564)	0	(10,236,564)
(6,861,142)	0	(6,861,142)
(681,084)	0	(681,084)
(8,466,480)	0	(8,466,480)
(2,774,633)	0	(2,774,633)
(1,673,753)	0	(1,673,753)
(9,881,572)	0	(9,881,572)
(5,228,151)	0	(5,228,151)
(2,676,309)	0	(2,676,309)
(612,068)	0	(612,068)
(2,261,828)	0	(2,261,828)
(1,635,825)	0	(1,635,825)
(133,102,427)	0	(133,102,427)
0	(2,077,226)	(2,077,226)
0	12,291	12,291
0	12,914	12,914
0	(2,052,021)	(2,052,021)
(133,102,427)	(2,052,021)	(135,154,448)
88,706,247	0	88,706,247
5,097,121	0	5,097,121
40,378,880	2,453,801	42,832,681
49,387	727	50,114
85,512	0	85,512
75,980	0	75,980
1,559,137	1,977	1,561,114
135,952,264	2,456,505	138,408,769
2,849,837	404,484	3,254,321
50,104,181	1,870,650	51,974,831
\$52,954,018	\$2,275,134	\$55,229,152

See accompanying notes to the basic financial statements

Parma City School District

Balance Sheet

Governmental Funds

June 30, 2013

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$17,136,108	\$2,514,818	\$1,105,135	\$20,756,061
Accounts Receivable	690,246	0	0	690,246
Intergovernmental Receivable	234,348	0	1,586,346	1,820,694
Interfund Receivable	1,621,555	0	0	1,621,555
Materials and Supplies Inventory	179,710	0	0	179,710
Property Taxes Receivable	93,858,579	5,286,495	0	99,145,074
<i>Total Assets</i>	<u>\$113,720,546</u>	<u>\$7,801,313</u>	<u>\$2,691,481</u>	<u>\$124,213,340</u>
Liabilities				
Accounts Payable	\$516,568	\$0	\$162,324	\$678,892
Contracts Payable	69,241	318,047	0	387,288
Accrued Wages and Benefits	8,853,530	0	624,284	9,477,814
Intergovernmental Payable	3,619,853	0	381,846	4,001,699
Interfund Payable	0	150,000	1,048,350	1,198,350
Matured Compensated Absences Payable	555,498	0	8,776	564,274
<i>Total Liabilities</i>	<u>13,614,690</u>	<u>468,047</u>	<u>2,225,580</u>	<u>16,308,317</u>
Deferred Inflows of Resources				
Unavailable Revenue	7,472,715	390,886	1,530,353	9,393,954
Property Taxes	74,151,094	4,141,573	0	78,292,667
<i>Total Deferred Inflows of Resources</i>	<u>81,623,809</u>	<u>4,532,459</u>	<u>1,530,353</u>	<u>87,686,621</u>
Fund Balances				
Nonspendable	196,845	0	0	196,845
Restricted	0	2,800,807	683,834	3,484,641
Assigned	3,479,995	0	0	3,479,995
Unassigned (Deficit)	14,805,207	0	(1,748,286)	13,056,921
<i>Total Fund Balances</i>	<u>18,482,047</u>	<u>2,800,807</u>	<u>(1,064,452)</u>	<u>20,218,402</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$113,720,546</u>	<u>\$7,801,313</u>	<u>\$2,691,481</u>	<u>\$124,213,340</u>

See accompanying notes to the basic financial statements

Parma City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2013*

Total Governmental Fund Balances	\$20,218,402
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	53,961,523
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	7,194,847
Grants	1,530,353
Tuition and Fees	<u>668,754</u>
Total	9,393,954
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(84,805)
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
Notes Payable	(3,755,000)
Premium on Notes	(48,098)
Loans Payable	(11,004,015)
Certificates of Participation Payable	(11,455,000)
Discount on Certificates of Participation	42,006
Capital Lease Payable	(823,678)
Compensated Absences	<u>(7,549,382)</u>
Total	(34,593,167)
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 position.	<u>4,058,111</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$52,954,018</u></u>

See accompanying notes to the basic financial statements

Parma City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$89,430,060	\$5,142,874	\$0	\$94,572,934
Intergovernmental	40,379,498	921,309	11,261,974	52,562,781
Interest	45,888	2,468	1,031	49,387
Tuition and Fees	3,161,178	0	0	3,161,178
Extracurricular Activities	621,733	0	352,499	974,232
Rentals	73,012	0	0	73,012
Charges for Services	1,289,936	0	104,425	1,394,361
Contributions and Donations	75,980	5,000	250	81,230
Payments in Lieu of Taxes	136,699	7,965	0	144,664
Miscellaneous	1,207,317	34,135	317,685	1,559,137
<i>Total Revenues</i>	<u>136,421,301</u>	<u>6,113,751</u>	<u>12,037,864</u>	<u>154,572,916</u>
Expenditures				
Current:				
Instruction:				
Regular	60,305,864	0	309,970	60,615,834
Special	18,792,326	0	2,462,148	21,254,474
Vocational	2,735,203	0	95,359	2,830,562
Adult/Continuing	9,995	0	866,260	876,255
Student Intervention Services	147,025	0	0	147,025
Support Services:				
Pupils	10,465,068	50,297	1,136,270	11,651,635
Instructional Staff	6,719,568	0	3,182,360	9,901,928
Board of Education	688,728	0	0	688,728
Administration	8,686,004	0	806,500	9,492,504
Fiscal	2,903,124	87,969	0	2,991,093
Business	1,653,765	0	0	1,653,765
Operation and Maintenance of Plant	9,453,766	102,250	0	9,556,016
Pupil Transportation	5,566,563	165,128	24,061	5,755,752
Central	2,709,682	0	27,250	2,736,932
Operation of Non-Instructional Services	58,794	0	4,040,841	4,099,635
Extracurricular Activities	2,449,552	0	483,847	2,933,399
Capital Outlay	187,028	2,590,663	145,388	2,923,079
Debt Service:				
Principal Retirement	1,602,552	4,005,017	0	5,607,569
Interest and Fiscal Charges	546,334	736,145	0	1,282,479
<i>Total Expenditures</i>	<u>135,680,941</u>	<u>7,737,469</u>	<u>13,580,254</u>	<u>156,998,664</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>740,360</u>	<u>(1,623,718)</u>	<u>(1,542,390)</u>	<u>(2,425,748)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	9,778	0	0	9,778
Transfers In	0	0	5,720	5,720
Transfers Out	(5,720)	0	0	(5,720)
<i>Total Other Financing Sources (Uses)</i>	<u>4,058</u>	<u>0</u>	<u>5,720</u>	<u>9,778</u>
<i>Net Change in Fund Balances</i>	744,418	(1,623,718)	(1,536,670)	(2,415,970)
<i>Fund Balances Beginning of Year</i>	<u>17,737,629</u>	<u>4,424,525</u>	<u>472,218</u>	<u>22,634,372</u>
<i>Fund Balances End of Year</i>	<u>\$18,482,047</u>	<u>\$2,800,807</u>	<u>(\$1,064,452)</u>	<u>\$20,218,402</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, 2013*

Net Change in Fund Balances - Total Governmental Funds (\$2,415,970)

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	1,314,676
Depreciation	<u>(3,457,011)</u>

Total (2,142,335)

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. (455,442)

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

Delinquent Property Taxes	(769,566)
Grants	402,236
Payment in Lieu of Taxes	(59,152)
Tuition and Fees	<u>59,184</u>

Total (367,298)

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 position. 5,607,569

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.

Accrued Interest	(26,071)
Amortization of Debt Discounts	(8,402)
Amortization of Issuance Costs	(334,905)
Amortization of Premium	<u>16,032</u>

Total (353,346)

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. 3,752,368

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. (775,709)

Change in Net Position of Governmental Activities \$2,849,837

See accompanying notes to the basic financial statements

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Property Taxes	\$85,920,933	\$90,840,087	\$90,378,653	(\$461,434)
Intergovernmental	39,795,700	40,218,089	40,218,089	0
Interest	34,172	42,664	42,664	0
Tuition and Fees	3,207,585	3,150,178	3,150,178	0
Rentals	310,862	76,790	76,790	0
Extracurricular Activities	386,822	368,429	368,429	0
Charges for Services	1,113,666	1,286,688	1,286,688	0
Contributions and Donations	40,483	28,602	28,602	0
Payments in Lieu of Taxes	244,381	136,699	136,699	0
Miscellaneous	768,506	825,474	825,470	(4)
<i>Total Revenues</i>	<u>131,823,110</u>	<u>136,973,700</u>	<u>136,512,262</u>	<u>(461,438)</u>
Expenditures				
Current:				
Instruction:				
Regular	54,043,761	53,306,694	52,856,729	449,965
Special	18,490,599	19,924,139	19,924,138	1
Vocational	3,054,564	2,800,330	2,800,329	1
Adult/Continuing	10,550	9,995	9,995	0
Student Intervention Services	188,065	147,986	147,986	0
Other	6,936,614	8,453,176	8,453,176	0
Support Services:				
Pupils	9,333,460	10,596,463	10,596,463	0
Instructional Staff	5,841,126	6,513,763	6,513,763	0
Board of Education	689,140	802,878	802,878	0
Administration	8,215,240	8,512,694	8,512,694	0
Fiscal	3,434,897	2,912,229	2,912,229	0
Business	1,837,827	1,730,988	1,730,988	0
Operation and Maintenance of Plant	9,779,934	10,527,412	10,527,412	0
Pupil Transportation	5,412,603	5,529,198	5,529,198	0
Central	5,599,227	3,326,874	3,326,874	0
Operation of Non-Instructional Services	7,600	59,041	59,041	0
Extracurricular Activities	1,702,612	1,864,792	1,864,792	0
Capital Outlay	436,320	266,588	266,588	0
Debt Service:				
Principal Retirement	1,602,552	1,602,552	1,602,552	0
Interest and Fiscal Charges	546,334	546,334	546,334	0
<i>Total Expenditures</i>	<u>137,163,025</u>	<u>139,434,126</u>	<u>138,984,159</u>	<u>449,967</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(5,339,915)</u>	<u>(2,460,426)</u>	<u>(2,471,897)</u>	<u>(11,471)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	11,829	9,778	9,778	0
Advances In	328,100	328,100	328,100	0
Advances Out	(328,100)	(988,251)	(988,251)	0
<i>Total Other Financing Sources (Uses)</i>	<u>11,829</u>	<u>(650,373)</u>	<u>(650,373)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(5,328,086)</u>	<u>(3,110,799)</u>	<u>(3,122,270)</u>	<u>(11,471)</u>
<i>Fund Balance Beginning of Year</i>	12,291,739	12,291,739	12,291,739	0
Prior Year Encumbrances Appropriated	3,308,909	3,308,909	3,308,909	0
<i>Fund Balance End of Year</i>	<u>\$10,272,562</u>	<u>\$12,489,849</u>	<u>\$12,478,378</u>	<u>(\$11,471)</u>

See accompanying notes to the basic financial statements

Parma City School District
Statement of Fund Net Position
Proprietary Funds
June 30, 2013

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
Assets		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$2,686,687	\$5,736,379
Inventory Held for Resale	20,902	0
<i>Total Current Assets</i>	2,707,589	5,736,379
<i>Noncurrent Assets:</i>		
Capital Assets, Net	329,430	0
<i>Total Assets</i>	3,037,019	5,736,379
Liabilities		
<i>Current Liabilities:</i>		
Accounts Payable	16,042	0
Accrued Wages and Benefits	50,491	0
Claims Payable	0	1,678,268
Compensated Absences Payable	41,873	0
Intergovernmental Payable	86,996	0
Interfund Payable	423,205	0
<i>Total Current Liabilities</i>	618,607	1,678,268
<i>Long-Term Liabilities:</i>		
Compensated Absences Payable	143,278	0
<i>Total Liabilities</i>	761,885	1,678,268
Net Position		
Net Investment in Capital Assets	329,430	0
Unrestricted	1,945,704	4,058,111
<i>Total Net Position</i>	\$2,275,134	\$4,058,111

See accompanying notes to the basic financial statements

Parma City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013*

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
Operating Revenues		
Tuition	\$1,170,118	\$0
Sales	1,791,328	0
Charges for Services	0	15,871,487
Miscellaneous	1,977	0
<i>Total Operating Revenues</i>	<u>2,963,423</u>	<u>15,871,487</u>
Operating Expenses		
Salaries	1,914,406	0
Fringe Benefits	686,499	0
Purchased Services	468,274	90,102
Materials and Supplies	237,648	0
Cost of Sales	1,650,667	0
Depreciation	46,650	0
Claims	0	15,343,431
Other	9,323	1,213,663
<i>Total Operating Expenses</i>	<u>5,013,467</u>	<u>16,647,196</u>
<i>Operating Loss</i>	<u>(2,050,044)</u>	<u>(775,709)</u>
Non-Operating Revenues		
Interest	727	0
Operating Grants	2,453,801	0
<i>Total Non-Operating Revenues</i>	<u>2,454,528</u>	<u>0</u>
<i>Change in Net Position</i>	404,484	(775,709)
<i>Net Position Beginning of Year</i>	<u>1,870,650</u>	<u>4,833,820</u>
<i>Net Position End of Year</i>	<u><u>\$2,275,134</u></u>	<u><u>\$4,058,111</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, 2013

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$2,978,281	\$15,871,487
Other Cash Receipts	3,760	0
Cash Payments to Employees for Services	(1,941,606)	0
Cash Payments for Employee Benefits	(715,916)	0
Cash Payments for Goods and Services	(2,322,171)	(90,102)
Cash Payments for Claims	0	(15,225,279)
Other Cash Payments	(9,323)	(1,213,663)
<i>Net Cash Used for Operating Activities</i>	(2,006,975)	(657,557)
Cash Flows from Noncapital Financing Activities		
Operating Grants Received	2,744,091	0
Cash Flows from Capital and Related Financing Activities		
Payments for Capital Acquisitions	(47,042)	0
Cash Flows from Investing Activities		
Interest on Investments	712	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	690,786	(657,557)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,995,901	6,393,936
<i>Cash and Cash Equivalents End of Year</i>	<u>\$2,686,687</u>	<u>\$5,736,379</u>

(continued)

See accompanying notes to the basic financial statements

Parma City School District
Statement of Cash Flows
Proprietary Funds (continued)
For the Fiscal Year Ended June 30, 2013

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	(\$2,050,044)	(\$775,709)
Adjustments:		
Depreciation	46,650	0
Donated Commodities Received During the Year	23,384	0
(Increase) Decrease in Assets:		
Cash	0	
Accounts Receivable	16,835	0
Intergovernmental Receivable	0	0
Inventory Held for Resale	(3,210)	0
Capital Assets	0	0
Increase (Decrease) in Liabilities:		
Accounts Payable	16,042	0
Accrued Wages and Benefits	(15,886)	0
Compensated Absences Payable	(38,895)	0
Intergovernmental Payable	(1,851)	0
Claims Payable	0	118,152
<i>Net Cash Used for Operating Activities</i>	<u>(\$2,006,975)</u>	<u>(\$657,557)</u>

See accompanying notes to the basic financial statements

Parma City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$433,353</u>
Liabilities	
Undistributed Monies	\$4,679
Due to Students	<u>428,674</u>
<i>Total Liabilities</i>	<u>\$433,353</u>

See accompanying notes to the basic financial statements

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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-two instructional/support facilities staffed by 605 noncertified and 912 certificated full time teaching personnel who provide services to 11,614 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, Alihsan, Parma Montessori, Bethany Christian, 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, and Padua Franciscan High School 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 and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District has no 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.

Parma City School District
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For the Fiscal Year Ended June 30, 2013

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.

The School District participates in two jointly governed organizations. These organizations are the Northeast Ohio Network for Educational Technology, and the Ohio Schools Council. These organizations are discussed in Note 17 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 more significant of the School District's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the 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 position 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 the 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, 2013

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 and report all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Capital Projects Fund The permanent improvement capital projects fund accounts for and reports restricted property taxes and grants 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, committed or assigned to a particular purpose.

Proprietary Fund Type Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows and are classified as either enterprise or internal service.

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, surgical and prescription benefits.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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, 2013

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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

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

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 inflows of resources, 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 9). 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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

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, 2013, 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 net asset value per share which is the price the investment could be sold for on June 30, 2013.

Parma City School District
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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 2013 amounted to \$45,888 which includes \$29,431 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.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of purchased food and school supplies held for resale, and materials and supplies held for consumption.

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 position 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 position and in the respective enterprise 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 \$1,000. 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 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

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 position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for 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.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for fire programs and street improvements.

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

Parma City School District
Notes to the Basic Financial Statements
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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.

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.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

School District Board of Education or a School District official delegated that authority by resolution by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

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.

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 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 Treasurer/Chief Financial Officer 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 Treasurer/Chief Financial Officer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue closely reflects actual revenue for the fiscal year.

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. Prior to June 30, the Board passed an amended appropriation measure which matched appropriations to expenditures plus encumbrances in the majority of the categories.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 3 – Change in Accounting Principle

For 2013, the School District has implemented Governmental Accounting Standard Board's (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34, Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities" and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. 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, 2013

Note 4 – Accountability

Fund balances at June 30, 2013, included the following individual fund deficits:

<u>Fund</u>	<u>Amount</u>
<i>Special Revenue Funds:</i>	
Alternative Schools	\$2,529
State Grants	16,668
Adult Basic Education	193,463
Race to the Top	69,210
Title VI-B	622,047
Vocational Education	75,203
Title II Technology	816
Limited English Proficiency	5,631
Refugee Children	9,694
Title I	655,205
Preschool Grant	26,336
Title VI-R	71,484

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 transfers when cash is required, rather than when accruals occur.

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 restricted, committed or assigned fund balance.
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for GAAP Reporting.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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	\$744,418
Net Adjustment for Revenue Accruals	(589,937)
Advances In	328,100
Net Adjustment for Expenditure Accruals	1,500,884
Perspective Differences:	
Public School Support	77,966
Unclaimed Monies	(2,849)
Advances Out	(988,251)
Adjustment for Encumbrances	(4,192,601)
Budget Basis	<u><u>(\$3,122,270)</u></u>

Note 7 - 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.

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;

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, \$3,892,616 of the School District's bank balance of \$3,392,616 was uninsured and uncollateralized. Although the securities were held by the pledging 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.

The School District has no deposit policy for custodial risk beyond the requirement 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, 2013, the School District had an investment of \$12,253,401 in STAR Ohio, the State Treasurer's Investment Pool. This investment has an average maturity of 57.5 days. The School District also had an investment of \$15,023,174 in STAR Ohio Plus.

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.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 7 – Fund Balances

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

Fund Balances	General	Permanent Improvement	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>				
Inventory	\$179,710	\$0	\$0	\$179,710
Unclaimed Funds	17,135	0	0	17,135
<i>Total Nonspendable</i>	196,845	0	0	196,845
<i>Restricted for</i>				
Social Services Resources and Support	0	0	20,330	20,330
Venture Capital	0	0	1,925	1,925
District Managed Student Activities	0	0	317,141	317,141
Non-Public Schools	0	0	313,593	313,593
Turf Replacement	0	0	30,845	30,845
Capital Improvements	0	2,800,807	0	2,800,807
<i>Total Restricted</i>	0	2,800,807	683,834	3,484,641
<i>Assigned to</i>				
Instructional Services	463,865	0	0	463,865
Purchases on Order	3,016,130	0	0	3,016,130
<i>Total Assigned</i>	3,479,995	0	0	3,479,995
<i>Unassigned (Deficit)</i>	14,805,207	0	(1,748,286)	13,056,921
<i>Total Fund Balances (Deficit)</i>	\$18,482,047	\$2,800,807	(\$1,064,452)	\$20,218,402

Note 8 - Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General fund	\$4,192,601
Permanent Improvement	717,926
Other Governmental	576,276
Total	\$5,486,803

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 9 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 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 year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer 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, 2013, are available to finance fiscal year 2013 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 and public utility property taxes which are measurable as of June 30, 2013 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 was levied to finance current fiscal year operations and is 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 inflows of resources – property taxes.

The amount available as an advance at June 30, 2013, was \$12,883,081 in the general fund, and \$753,160 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2012, was \$13,820,905 in the general fund, and \$801,853 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 reported as deferred inflows of resources unavailable revenue.

The assessed values upon which the fiscal year 2013 taxes were collected are:

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,222,591,020	98.47 %	\$1,985,733,220	98.09 %
Public Utility	34,578,900	1.53	38,578,930	1.91
	<u>\$2,257,169,920</u>	<u>100.00 %</u>	<u>\$2,024,312,150</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$51.20		\$51.20	

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$5,096,730	\$0	\$0	\$5,096,730
<i>Capital Assets, being depreciated:</i>				
Land Improvements	15,681,880	454,601	(1,962,429)	14,174,052
Buildings and Improvements	94,960,861	147,680	0	95,108,541
Furniture and Equipment	14,738,845	133,869	(166,644)	14,706,070
Vehicles	7,882,877	578,526	(430,972)	8,030,431
<i>Total Capital Assets, being depreciated</i>	<u>133,264,463</u>	<u>1,314,676</u>	<u>(2,560,045)</u>	<u>132,019,094</u>
Less Accumulated Depreciation:				
Land Improvements	(7,819,034)	(506,602)	1,516,514	(6,809,122)
Buildings and Improvements	(56,582,689)	(1,390,709)	0	(57,973,398)
Furniture and Equipment	(11,632,172)	(1,077,455)	163,350	(12,546,277)
Vehicles	(5,767,998)	(482,245)	424,739	(5,825,504)
Total Accumulated Depreciation	<u>(81,801,893)</u>	<u>(3,457,011)</u>	<u>2,104,603</u>	<u>(83,154,301)</u>
Total Capital Assets, being depreciated, net	<u>51,462,570</u>	<u>(2,142,335)</u>	<u>(455,442)</u>	<u>48,864,793</u>
Governmental Activities Capital Assets, Net	<u>\$56,559,300</u>	<u>(\$2,142,335)</u>	<u>(\$455,442)</u>	<u>\$53,961,523</u>

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,746,592
Special	40,904
Vocational	47,274
Adult/Continuing	1,852
Support Services:	
Pupils	77,355
Instructional Staff	22,429
Board of Education	1,016
Administration	37,479
Fiscal	7,570
Business	81,133
Operation and Maintenance of Plant	837,863
Pupil Transportation	441,876
Central	18,067
Operation of Non-Instructional Services	42,456
Extracurricular Activities	53,145
Total Depreciation Expense	<u><u>\$3,457,011</u></u>

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Business-Type Activities				
Buildings and Improvements	\$7,638	\$0	\$0	\$7,638
Furniture and Equipment	1,835,802	47,042	(45,447)	1,837,397
Vehicles	23,132	0	0	23,132
Totals at Historical Cost	<u>1,866,572</u>	<u>47,042</u>	<u>(45,447)</u>	<u>1,868,167</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,322)	(196)	0	(2,518)
Furniture and Equipment	(1,515,397)	(44,141)	42,980	(1,516,558)
Vehicles	(17,348)	(2,313)	0	(19,661)
Total Accumulated Depreciation	<u>(1,535,067)</u>	<u>(46,650)</u>	<u>42,980</u>	<u>(1,538,737)</u>
Business-Type Activities Capital Asset, Net	<u>\$331,505</u>	<u>\$392</u>	<u>(\$2,467)</u>	<u>\$329,430</u>

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

Food Service	\$36,571
Adult Continuing Education	1,262
Extended Daycare/Preschool	8,817
Total Depreciation Expense	<u><u>\$46,650</u></u>

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 11 - Risk Management

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, 2013, the School District contracted with the following insurance companies:

Company	Type of Coverage	Limit	Deductible
Argonaut Insurance Company	Auto Liability	\$1,000,000	N/A
	Comprehensive General Liability		
	General Liability	1,000,000	N/A
	Personal Injury	1,000,000	N/A
	General Aggregate	3,000,000	N/A
	Errors and Omissions	1,000,000	10,000
	School Leaders' Error and Omissions	1,000,000	10,000
	Property Coverage		
	Blanket Building and Contents	306,588,633	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.

Self-Insurance

The School District provides employee medical, surgical and prescription benefits through a partially self-insured program. The third party administrator, Medical Mutual of Ohio, reviews the claims which are then paid by the School District. The School District has stop loss coverage at \$175,000 per covered person, per year, and a calculated aggregate maximum for the 2013 plan year of \$1,000,000.

The claims liability of \$1,678,268 reported in the internal service fund at June 30, 2013, 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. Changes in the fund's claims liability amount in 2012 and 2013 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2012	\$1,542,521	\$14,091,947	\$14,074,352	\$1,560,116
2013	1,560,116	15,343,431	15,225,279	1,678,268

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, 2013

Note 12 – Receivables

Receivables at June 30, 2013, 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	\$710,585
Special Education, Part B-IDEA	502,692
BWC Premium Refund	228,490
Carl Perkins	72,785
Title II-A	65,659
ABLE Instructional	52,898
Neighborhood Leadership	38,750
21st Century	32,104
Race to the Top	28,714
Early Childhood Special Education	22,770
LEP, Title III	18,731
EL/Civics	11,952
Title III	10,330
Alternative Education	9,420
Homeless Assistance	8,956
Miscellaneous	5,858
Total Governmental Activities	<u><u>\$1,820,694</u></u>

Note 13 – Defined Benefit Pension Plans

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,342,563, \$2,369,836 and \$2,135,676, respectively. For fiscal year 2013, 69.25 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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 system. 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 can 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.

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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$8,603,629 and \$288,907 for the fiscal year ended June 30, 2013, \$8,263,708 and \$238,644 for the fiscal year ended June 30, 2012, and \$7,961,832 and \$189,976 for the fiscal year ended June 30, 2011. For fiscal year 2013, 82.32 percent has been contributed for the DB plan and 82.32 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 were \$141,001 made by the School District and \$100,715 made by the plan members. In addition, member contributions of \$206,362 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Note 14 - Postemployment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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, Medicare Advantage, 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 105(e). For fiscal year 2013, 0.16 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 fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$320,694 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, 2013, 2012, and 2011 were \$422,144, \$376,362, and \$520,852, respectively. For fiscal year 2013, 69.25 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$138,340, \$139,951, and \$137,436 respectively. For fiscal year 2013,

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

69.25 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

Plan Description – The School District participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$661,818, \$635,670, and \$612,449 respectively. For fiscal year 2013, 82.32 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Note 15 - Other Employee Benefits

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
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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 134 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

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance through MetLife 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 Superintendent receives \$300,000 term life and the Treasurer receives \$100,000 term life and accidental death and dismemberment coverage.

The School District also provides medical/surgical insurance and prescription drug coverage through Medical Mutual of Ohio and is self insured (see Note 11); vision insurance is through Medical Mutual of Ohio, and dental insurance through MetLife to all eligible employees.

Note 16 - Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
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, 2013

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

	Principal Outstanding 6/30/2012	Additions	(Reductions)	Principal Outstanding 6/30/2013	Amount Due in One Year
Governmental Activities:					
2002 Construction Note	\$2,375,000	\$0	(\$2,375,000)	\$0	\$0
2006 Construction Note	4,920,000	0	(1,165,000)	3,755,000	1,205,000
Unamortized Premium on Construction Note	64,130	0	(16,032)	48,098	0
2003 Energy Conservation Loan (Phase IV)	962,000	0	(175,000)	787,000	183,000
2004 Energy Conservation Loan (Phase V)	2,855,000	0	(524,000)	2,331,000	546,000
2004 Energy Conservation Loan (Phase VI)	2,999,541	0	(374,750)	2,624,791	391,383
2005 Energy Conservation Loan (Phase VII)	1,537,148	0	(163,639)	1,373,509	171,069
2006 Energy Conservation Loan (Phases VIII & IX)	2,335,140	0	(217,088)	2,118,052	226,634
2008 Energy Conservation Loan (Phase X)	1,917,738	0	(148,075)	1,769,663	154,495
2006 Certificates of Participation	11,665,000	0	(210,000)	11,455,000	1,990,000
Unamortized Discount on Certificates of Participation	(50,408)	0	8,402	(42,006)	0
Capital Leases	1,078,695	0	(255,017)	823,678	184,922
Compensated Absences	11,301,750	704,136	(4,456,504)	7,549,382	372,141
Total Governmental Activities	<u>\$43,960,734</u>	<u>\$704,136</u>	<u>(\$10,071,703)</u>	<u>\$34,593,167</u>	<u>\$5,424,644</u>
Business-Type Activities:					
Compensated Absences	<u>\$224,046</u>	<u>\$8,942</u>	<u>(\$47,837)</u>	<u>\$185,151</u>	<u>\$41,873</u>

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

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.

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, 2013

The note liability will be paid from the bond retirement fund. The certificates of participation will be paid from the permanent improvement fund. The 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, auxiliary services, state grants, education jobs, title VI-B, title I, and preschool special revenue funds, and the food service, adult continuing education, and extended daycare/preschool enterprise funds.

The School District's overall legal debt margin was \$182,188,094 with an unvoted debt margin of \$2,024,312 at June 30, 2013. Principal and interest requirements to retire the debt outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	Construction Notes		Energy Conservation Loans	
	Principal	Interest	Principal	Interest
2014	\$1,205,000	\$129,588	\$1,672,581	\$472,017
2015	1,250,000	83,500	1,746,383	397,598
2016	1,300,000	29,250	1,824,038	319,930
2017	0	0	1,907,625	237,065
2018	0	0	1,122,234	156,073
2019-2023	0	0	2,731,154	211,368
Total	<u>\$3,755,000</u>	<u>\$242,338</u>	<u>\$11,004,015</u>	<u>\$1,794,051</u>

Fiscal Year Ending June 30,	Certificates of Participation		Total	
	Principal	Interest	Principal	Interest
2014	\$1,990,000	\$415,912	\$4,867,581	\$1,017,517
2015	2,060,000	337,400	5,056,383	818,498
2016	2,145,000	253,300	5,269,038	602,480
2017	3,585,000	138,700	5,492,625	375,765
2018	1,675,000	33,500	2,797,234	189,573
2019-2023	0	0	2,731,154	211,368
Total	<u>\$11,455,000</u>	<u>\$1,178,812</u>	<u>\$26,214,015</u>	<u>\$3,215,201</u>

Note 17 - Jointly Governed Organizations

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 \$202,275 to NEONET. Financial information can be obtained by writing to the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 161 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's 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 to 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. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2013, the School District paid \$4,725 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools' Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy has been selected as supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 147 participants in the program including the Garfield Heights 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.

Note 18 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

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.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 19 - Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2013, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable
	General Fund
Major Fund:	
Permanent Improvement	\$150,000
Other Governmental Funds:	
Miscellaneous State Grants	9,496
Adult Basic Education	7,113
Race to the Top	8,999
Title VI-B	176,983
Vocational Education	66,631
Title II Technology	283,964
Title I School Improvement	94,941
Limited English Proficiency	816
Refugee Children	24,651
Preschool Grant	9,694
Title VI-R	336,696
Title I	14,644
Adult Continuing Education	13,722
Total Other Governmental Funds	1,048,350
Total Governmental Funds	1,198,350
Business-Type Activities:	
Adult Education	252,802
Extended Day Care	170,403
Total Business-Type Activities	423,205
Total	\$1,621,555

Interfund payables in the special revenue funds are due to the timing of the receipt of grant monies received by the various funds. The interfund payables in the capital projects fund 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 adult continuing education and extended day care enterprise funds.

Interfund Transfers

The transfer from the general fund to a nonmajor special revenue fund of \$5,720 was made to move unrestricted balances to support programs and projects accounted for in other funds.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 20 - 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 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 capital acquisitions. Disclosure of this information is required by State statute.

	Capital Improvement
Set-aside Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	1,928,747
Offsets During the Fiscal Year	(5,192,175)
Qualifying Disbursements	(3,369,756)
Totals	(\$6,633,184)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2013	\$0

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.

Note 21 - Capital Leases

In prior fiscal years, the School District entered into capital leases for a copier machine, fax machines, printers, and phones. These leases meet the criteria of a capital lease and 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:	(2,096,369)
<i>Total Capital Assets, being depreciated, net</i>	<i>\$759,685</i>

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

	<u>Governmental Activities</u>
2014	\$231,530
2015	217,965
2016	217,965
2017	217,965
2018	<u>54,495</u>
Total Minimum Lease Payments	939,920
Less: Amounts Representing Interest	<u>(116,242)</u>
Present Value of Minimum Lease Payments	<u><u>\$823,678</u></u>

**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

<u>FEDERAL GRANTOR/</u> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$323,276	\$323,276
National School Lunch Program	10.555	2,311,173	2,311,173
Non-Cash Assistance	10.555	230,312	230,312
TOTAL U.S. DEPARTMENT OF AGRICULTURE / CHILD NUTRITION CLUSTER		2,864,761	2,864,761
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster (IDEA):</u>			
Special Education - Grants to States (IDEA, Part B)	84.027	406,007	312,401
		2,216,533	2,422,770
Total - Special Education - Grants to States (IDEA, Part B)		2,622,540	2,735,171
Special Education - Preschool Grants (IDEA Preschool)	84.173	9,056	12,789
		85,657	90,757
Total - Special Education - Preschool Grants (IDEA Preschool)		94,713	103,546
Total - Special Education Cluster (IDEA)		2,717,253	2,838,717
<u>Title I, Part A Cluster:</u>			
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	271,263	334,756
		2,146,441	2,455,044
Total - Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)		2,417,704	2,789,800
Title I Grants to Local Education Agencies (School Improvement, Subgrant A)	84.010	21,200	5,495
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	825	
Total - Title I, Part A Cluster		2,439,729	2,795,295
Education of Homeless Children and Youth	84.196	33,595	38,122
Career and Technical Education – Basic Grants to States (Perkins IV)	84.048	36,332	47,655
		125,267	159,866
Total - Career and Technical Education – Basic Grants to States (Perkins IV)		161,599	207,521
Twenty-First Century Community Learning Centers	84.287	9,952	468
		167,896	197,622
Total - Twenty-First Century Community Learning Centers		177,848	198,090
Education Technology State Grants	84.318	92	
Improving Teacher Quality State Grants	84.367	62,497	64,113
		383,285	391,063
Total - Improving Teacher Quality State Grants		445,782	455,176
English Language Acquisition Grant	84.365	10,249	8,904
		50,324	71,869
Total - English Language Acquisition Grant		60,573	80,773

**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

<u>FEDERAL GRANTOR/ Pass Through Grantor Program Title</u>	Federal CFDA Number	Receipts	Expenditures
Education Jobs Fund	84.410	172,865	198,135
Adult Education - State Grant Program	84.002	130,344 689,892	51,197 803,716
<i>Passed Through Cuyahoga Community College:</i>			
Adult Education - Rotary Program	84.002	55,479	11,057
		234,398	293,643
Total - Adult Education - State Grant Program		<u>1,110,113</u>	<u>1,159,613</u>
<i>Passed Through Ohio Department of Education:</i>			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	73,035 417,097	95,082 443,942
<i>Passed Through Battelle for Kids:</i>			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	<u>11,100</u>	<u>9,815</u>
Total- ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act		<u>501,232</u>	<u>548,839</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>7,820,682</u>	<u>8,520,281</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Education:</i>			
Refugee Impact and Entrant Assistance	93.576	16,624 2,302	31 12,084
Total - Refugee Impact and Entrant Assistance		<u>18,926</u>	<u>12,115</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>18,926</u>	<u>12,115</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$10,704,369</u>	<u>\$11,397,157</u>

The accompanying notes are an integral part of this schedule.

**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Parma City School District, Cuyahoga County, Ohio (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. 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 the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Parma City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 28, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Parma City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Parma City School District, Cuyahoga County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 28, 2014

**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<ul style="list-style-type: none"> ➤ Special Education Cluster: Special Education – Grants to States, CFDA 84.027, and Special Education – Preschool Grants, CFDA 84.173. ➤ ARRA – State Fiscal Stabilization Fund, Race-To-The-Top, Incentive Grants, CFDA 84.395.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$341,915 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

1. We noted the Board amended its anti-harassment policy at its meeting on March 11, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 28, 2014

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Dave Yost • 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
MARCH 25, 2014**