



Dave Yost • Auditor of State

**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	22
Statement of Net Position – Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds.....	25
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	27
Notes to the Basic Financial Statements	28
Federal Awards Receipts and Expenditures Schedule.....	57
Notes to the Federal Awards Receipts and Expenditures Schedule	59
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	61
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	63
Schedule of Findings.....	65

This page intentionally left blank.



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, the 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, 2014, 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, the major fund, and the aggregate remaining fund information of the Parma City School District, Cuyahoga County, Ohio, as of June 30, 2014, 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 March 4, 2015, 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, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

March 4, 2015

This page intentionally left blank.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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, 2014. 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

Total net position of governmental activities increased compared to fiscal year 2014. This increase was the result of revenues increasing at a larger pace compared to the increase in expenses.

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 and the only 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 2014 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.

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.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

- **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 fund is the general 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.

Fiduciary Fund A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statement because the resources of this fund are not available to support the School District's own programs. These funds use the accrual basis of accounting.

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 2014 compared to fiscal year 2013:

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 1
 Net Position
 (In millions)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$124.6	\$128.8	\$2.6	\$2.3	\$127.2	\$131.1
Capital Assets, Net	53.9	53.9	0.3	0.3	54.2	54.2
Total Assets	178.5	182.7	2.9	2.6	181.4	185.3
Liabilities						
Current and Other Liabilities	15.9	16.9	0.1	0.1	16.0	17.0
Long-Term Liabilities:						
Due Within One Year	6.5	5.4	0.1	0.0	6.6	5.4
Due in More than One Year	24.6	29.2	0.2	0.2	24.8	29.4
Total Liabilities	47.0	51.5	0.4	0.3	47.4	51.8
Deferred Inflows of Resources	70.4	78.3	0.0	0.0	70.4	78.3
Net Position						
Net Investment						
in Capital Assets	30.5	26.9	0.3	0.3	30.8	27.2
Restricted						
Capital Projects	4.4	3.2	0.0	0.0	4.4	3.2
Debt Service	0.1	0.1	0.0	0.0	0.1	0.1
Other Purposes	1.1	0.6	0.0	0.0	1.1	0.6
Unrestricted	25.0	22.1	2.2	2.0	27.2	24.1
Total Net Position	\$61.1	\$52.9	\$2.5	\$2.3	\$63.6	\$55.2

Total assets of governmental activities decreased \$4.2 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 receivable decreased as the result of lower certifications for fiscal year 2015 from the County Fiscal Officer.

Total liabilities for governmental activities decreased \$4.5 million. This decrease was 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 years 2014 and 2013 for both governmental and business-type activities.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2
Change in Net Position
(In millions)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services and Sales	\$5.5	\$5.7	\$2.9	\$3.0	\$8.4	\$8.7
Operating Grants and Contributions	17.7	11.7	2.5	2.4	20.2	14.1
Capital Grants and Contributions	1.0	0.9	0.0	0.0	1.0	0.9
<i>Total Program Revenues</i>	<u>24.2</u>	<u>18.3</u>	<u>5.4</u>	<u>5.4</u>	<u>29.6</u>	<u>23.7</u>
General Revenues:						
Property Taxes	99.7	93.8	0.0	0.0	99.7	93.8
Payment in Lieu of Taxes	0.2	0.1	0.0	0.0	0.2	0.1
Grants and Entitlements	37.0	40.4	0.0	0.0	37.0	40.4
Unrestricted Contributions and Donations	0.1	0.1	0.0	0.0	0.1	0.1
Miscellaneous	1.8	1.6	0.0	0.0	1.8	1.6
<i>Total General Revenues</i>	<u>138.8</u>	<u>136.0</u>	<u>0.0</u>	<u>0.0</u>	<u>138.8</u>	<u>136.0</u>
Special Item	0.8	0.0	0.0	0.0	0.8	0.0
Total Revenues and Special Item	<u>163.8</u>	<u>154.3</u>	<u>5.4</u>	<u>5.4</u>	<u>169.2</u>	<u>159.7</u>
Program Expenses						
Instruction	96.7	86.7	0.0	0.0	96.7	86.7
Support Services:						
Pupils and Instructional Staff	15.3	21.7	0.0	0.0	15.3	21.7
Board of Education, Administration, Fiscal and Business	15.4	15.0	0.0	0.0	15.4	15.0
Operation and Maintenance of Plant	11.1	10.5	0.0	0.0	11.1	10.5
Pupil Transportation	5.9	5.9	0.0	0.0	5.9	5.9
Central	3.3	2.8	0.0	0.0	3.3	2.8
Operation of Non-Instructional Services	3.6	4.2	0.0	0.0	3.6	4.2
Enterprise Operations	0.0	0.0	5.2	5.0	5.2	5.0
Extracurricular Activities	3.3	3.1	0.0	0.0	3.3	3.1
Interest and Fiscal Charges	1.0	1.6	0.0	0.0	1.0	1.6
Total Program Expenses	<u>155.6</u>	<u>151.5</u>	<u>5.2</u>	<u>5.0</u>	<u>160.8</u>	<u>156.5</u>
Change in Net Position	8.2	2.8	0.2	0.4	8.4	3.2
<i>Net Position Beginning 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>
<i>Net Position End of Year</i>	<u>\$61.1</u>	<u>\$52.9</u>	<u>\$2.5</u>	<u>\$2.3</u>	<u>\$63.6</u>	<u>\$55.2</u>

Total governmental activities net position increased \$8.2 million. Property taxes increased \$5.9 million due to an increase in property taxes available as an advance for fiscal year 2014.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The unusual nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As a result of legislation enacted in 1976, the overall revenue generated by a voted tax levy does not increase as a result of inflation. As an example, a homeowner with a home valued at \$100,000 (Assessed value of \$35,000) and taxed at 1.0 mill would pay \$35 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 61 percent of revenues for governmental activities for the School District in fiscal year 2014.

The largest Governmental Activities program expense remains instruction, comprising approximately 62.3 percent of total expenses. A change in accounting coding caused an increase in instructional expenses and a decrease in pupil and instructional staff expenses in fiscal year 2014. When combined with pupils and instructional support these categories make up 72.1 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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Instruction	\$96.7	\$84.9	\$86.6	\$80.1
Support Services:				
Pupils and Instructional Staff	15.3	12.1	21.7	17.1
Board of Education, Administration				
Fiscal and Business	15.4	13.5	15.0	13.6
Operation and Maintenance of Plant	11.1	10.3	10.5	9.9
Pupil Transportation	5.9	5.3	5.9	5.2
Central	3.3	2.3	2.8	2.7
Operation of Non-Instructional Services	3.6	0.1	4.2	0.6
Extracurricular Activities	3.3	1.9	3.1	2.3
Interest and Fiscal Charges	1.0	1.0	1.6	1.6
Total	\$155.6	\$131.4	\$151.4	\$133.1

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The dependence upon tax revenues for governmental activities is apparent. 69.7 percent of instruction activities are supported through taxes and other general revenues. Our three communities are responsible for the primary support for Parma City School District students.

Business-Type Activities

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

Overall net position increased \$0.2 million in fiscal year 2014. 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 \$144.8 million and expenditures of \$141.4 million. The net change in fund balance for the year was an increase of approximately \$3.6 million. Revenues increased primarily as the result of the increase in property tax collections.

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 \$135.4 million and \$137.4 million, respectively. This increase was due to a conservative approach to revenue estimates at the beginning of the fiscal year. Total actual revenues were \$137.4 million.

During the course of fiscal year 2014, the School District amended its general fund budget several times. Final appropriations for the general fund increased by \$2.8 million from the original appropriations due to the conservative approach to spending. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$143.5 million.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$5.1	\$5.1	\$0.0	\$0.0	\$5.1	\$5.1
Land Improvements	7.5	7.4	0.0	0.0	7.5	7.4
Buildings and Improvements	35.6	37.1	0.0	0.0	35.6	37.1
Furniture and Equipment	3.4	2.2	0.3	0.3	3.7	2.5
Vehicles	2.2	2.2	0.0	0.0	2.2	2.2
Totals	\$53.8	\$54.0	\$0.3	\$0.3	\$54.1	\$54.3

During fiscal year 2014, the School District purchased copiers as well as land and buildings improvements.

For fiscal year 2014, an Ohio law required school districts to set aside three percent of certain revenues for capital improvements which amounted to approximately \$1.9 million. For fiscal year 2014, the School District had qualifying disbursements or offsets exceeding these requirements. See Note 9 to the basic financial statements for additional information on capital assets and Note 19 for additional information on set-asides.

Debt

At June 30, 2014, the School District had \$21.3 million in notes, loans, and certificates of participation outstanding, with \$5.1 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, 2014
Unaudited

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

	Governmental Activities	
	2014	2013
2006 Construction Note	2.5	3.8
2003 Energy Conservation Loan (Phase IV)	0.6	0.8
2004 Energy Conservation Loan (Phase V)	1.8	2.3
2004 Energy Conservation Loan (Phase VI)	2.2	2.6
2005 Energy Conservation Loan (Phase VII)	1.2	1.4
2006 Energy Conservation Loan (Phase VIII & IX)	1.9	2.1
2008 Energy Conservation Loan (Phase X)	1.6	1.8
2006 Certificates of Participation	9.5	11.4
Totals	<u>\$21.3</u>	<u>\$26.2</u>

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, 2014, the School District's overall legal debt margin was \$181.7 million with an unvoted debt margin of \$2.0 million. See Note 15 to the basic financial statements for additional information on debt.

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

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 additional 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, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$24,503,558	\$2,958,303	\$27,461,861
Accounts Receivable	768,236	0	768,236
Intergovernmental Receivable	2,017,747	0	2,017,747
Internal Balances	423,205	(423,205)	0
Materials and Supplies Inventory	174,922	0	174,922
Inventory Held for Resale	0	32,670	32,670
Property Taxes Receivable	96,822,736	0	96,822,736
Nondepreciable Capital Assets	5,096,730	0	5,096,730
Depreciable Capital Assets, Net	48,752,407	312,759	49,065,166
<i>Total Assets</i>	<u>178,559,541</u>	<u>2,880,527</u>	<u>181,440,068</u>
Liabilities			
Accounts Payable	659,480	0	659,480
Contracts Payable	286,118	0	286,118
Accrued Wages and Benefits	9,584,487	56,774	9,641,261
Intergovernmental Payable	3,030,041	79,012	3,109,053
Matured Compensated Absences Payable	873,175	0	873,175
Accrued Interest Payable	55,960	0	55,960
Claims Payable	1,403,435	0	1,403,435
Long-Term Liabilities:			
Due Within One Year	6,458,410	45,930	6,504,340
Due In More Than One Year	24,628,874	207,914	24,836,788
<i>Total Liabilities</i>	<u>46,979,980</u>	<u>389,630</u>	<u>47,369,610</u>
Deferred Inflows of Resources			
Property Taxes	70,434,478	0	70,434,478
Net Position			
Net Investment in Capital Assets	30,502,929	312,759	30,815,688
Restricted for:			
Capital Projects	4,408,898	0	4,408,898
Debt Service	88,026	0	88,026
District Managed Student Activities	657,695	0	657,695
Auxiliary Services	282,306	0	282,306
Other Purposes	248,564	0	248,564
Unclaimed Funds	18,755	0	18,755
Unrestricted	24,937,910	2,178,138	27,116,048
<i>Total Net Position</i>	<u>\$61,145,083</u>	<u>\$2,490,897</u>	<u>\$63,635,980</u>

See accompanying notes to the basic financial statements

Parma City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$65,713,145	\$2,024,307	\$3,082,090	\$0
Special	26,589,725	726,803	4,921,994	0
Vocational	3,696,623	114,336	238,855	0
Adult/Continuing	634,478	317	713,283	0
Student Intervention Services	102,258	3,245	4,528	0
Support Services:				
Pupils	11,420,032	317,012	1,566,417	0
Instructional Staff	3,893,237	89,219	1,214,713	0
Board of Education	971,636	30,809	42,975	0
Administration	9,829,868	289,745	1,202,872	0
Fiscal	3,372,593	103,945	144,994	31,004
Business	1,233,468	47,051	65,632	0
Operation and Maintenance of Plant	11,140,886	345,760	482,305	0
Pupil Transportation	5,875,046	166,820	254,029	197,592
Central	3,293,767	68,453	134,366	768,019
Operation of Non-Instructional Services	3,580,555	2,202	3,469,947	0
Extracurricular Activities	3,247,300	1,238,344	131,099	0
Interest and Fiscal Charges	984,372	0	0	0
<i>Total Governmental Activities</i>	<u>155,578,989</u>	<u>5,568,368</u>	<u>17,670,099</u>	<u>996,615</u>
Business-Type Activities				
Food Service	3,904,586	1,654,747	2,527,453	0
Adult Continuing Education	259,410	72,722	55,130	0
Extended Day Care/Preschool	1,105,344	1,172,344	0	0
<i>Total Business-Type Activities</i>	<u>5,269,340</u>	<u>2,899,813</u>	<u>2,582,583</u>	<u>0</u>
<i>Totals</i>	<u>\$160,848,329</u>	<u>\$8,468,181</u>	<u>\$20,252,682</u>	<u>\$996,615</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

Transfers

Total General Revenues and Transfers

Special Item - Sale of Elementary Schools

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
(\$60,606,748)	\$0	(\$60,606,748)
(20,940,928)	0	(20,940,928)
(3,343,432)	0	(3,343,432)
79,122	0	79,122
(94,485)	0	(94,485)
(9,536,603)	0	(9,536,603)
(2,589,305)	0	(2,589,305)
(897,852)	0	(897,852)
(8,337,251)	0	(8,337,251)
(3,092,650)	0	(3,092,650)
(1,120,785)	0	(1,120,785)
(10,312,821)	0	(10,312,821)
(5,256,605)	0	(5,256,605)
(2,322,929)	0	(2,322,929)
(108,406)	0	(108,406)
(1,877,857)	0	(1,877,857)
(984,372)	0	(984,372)
(131,343,907)	0	(131,343,907)
0	277,614	277,614
0	(131,558)	(131,558)
0	67,000	67,000
0	213,056	213,056
(131,343,907)	213,056	(131,130,851)
94,385,805	0	94,385,805
5,315,116	0	5,315,116
36,957,927	0	36,957,927
36,345	65	36,410
158,321	0	158,321
64,075	0	64,075
1,816,031	3,075	1,819,106
138,733,620	3,140	138,736,760
433	(433)	0
138,734,053	2,707	138,736,760
800,919	0	800,919
8,191,065	215,763	8,406,828
52,954,018	2,275,134	55,229,152
\$61,145,083	\$2,490,897	\$63,635,980

Parma City School District

Balance Sheet

Governmental Funds

June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$13,845,020	\$4,852,814	\$18,697,834
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	18,755	0	18,755
Accounts Receivable	767,551	685	768,236
Intergovernmental Receivable	393,757	1,623,990	2,017,747
Interfund Receivable	1,366,061	0	1,366,061
Materials and Supplies Inventory	174,922	0	174,922
Property Taxes Receivable	91,527,304	5,295,432	96,822,736
<i>Total Assets</i>	<u>\$108,093,370</u>	<u>\$11,772,921</u>	<u>\$119,866,291</u>
Liabilities			
Accounts Payable	\$594,877	\$64,603	\$659,480
Contracts Payable	45,060	241,058	286,118
Accrued Wages and Benefits	8,962,534	621,953	9,584,487
Intergovernmental Payable	2,718,290	311,751	3,030,041
Interfund Payable	0	942,856	942,856
Matured Compensated Absences Payable	843,450	29,725	873,175
<i>Total Liabilities</i>	<u>13,164,211</u>	<u>2,211,946</u>	<u>15,376,157</u>
Deferred Inflows of Resources			
Unavailable Revenue	6,257,690	1,305,448	7,563,138
Property Taxes	66,554,164	3,880,314	70,434,478
<i>Total Deferred Inflows of Resources</i>	<u>72,811,854</u>	<u>5,185,762</u>	<u>77,997,616</u>
Fund Balances			
Nonspendable	193,677	0	193,677
Restricted	0	5,248,129	5,248,129
Assigned	6,910,217	0	6,910,217
Unassigned (Deficit)	15,013,411	(872,916)	14,140,495
<i>Total Fund Balances</i>	<u>22,117,305</u>	<u>4,375,213</u>	<u>26,492,518</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$108,093,370</u>	<u>\$11,772,921</u>	<u>\$119,866,291</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, 2014*

Total Governmental Fund Balances	\$26,492,518
---	---------------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	53,849,137
---	------------

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	5,819,923
Grants	993,557
Tuition and Fees	749,658

Total	7,563,138
-------	-----------

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(55,960)
--	----------

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

Notes Payable	(2,550,000)
Premium on Notes	(32,066)
Loans Payable	(9,331,435)
Certificates of Participation Payable	(9,465,000)
Discount on Certificates of Participation	33,605
Capital Lease Payable	(2,033,378)
Compensated Absences	(7,709,010)

Total	(31,087,284)
-------	--------------

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.	4,383,534
---	-----------

<i>Net Position of Governmental Activities</i>	\$61,145,083
--	---------------------

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, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$95,681,734	\$5,394,111	\$101,075,845
Intergovernmental	43,069,188	13,091,249	56,160,437
Interest	35,532	813	36,345
Tuition and Fees	3,042,439	0	3,042,439
Extracurricular Activities	562,603	916,950	1,479,553
Rentals	105,517	0	105,517
Charges for Services	859,270	685	859,955
Contributions and Donations	64,075	1,000	65,075
Payments in Lieu of Taxes	150,025	8,296	158,321
Miscellaneous	1,275,929	540,102	1,816,031
<i>Total Revenues</i>	<u>144,846,312</u>	<u>19,953,206</u>	<u>164,799,518</u>
Expenditures			
Current:			
Instruction:			
Regular	63,964,923	262,695	64,227,618
Special	22,728,661	3,872,416	26,601,077
Vocational	3,614,625	77,560	3,692,185
Adult/Continuing	9,990	624,383	634,373
Student Intervention Services	102,475	0	102,475
Support Services:			
Pupils	10,019,762	1,357,144	11,376,906
Instructional Staff	2,867,154	1,006,545	3,873,699
Board of Education	972,681	0	972,681
Administration	9,172,359	803,733	9,976,092
Fiscal	3,276,817	78,566	3,355,383
Business	1,481,916	0	1,481,916
Operation and Maintenance of Plant	10,930,263	0	10,930,263
Pupil Transportation	5,248,451	521,603	5,770,054
Central	2,173,759	1,980,273	4,154,032
Operation of Non-Instructional Services	67,166	3,355,249	3,422,415
Extracurricular Activities	2,482,189	724,665	3,206,854
Capital Outlay	159,085	710,918	870,003
Debt Service:			
Principal Retirement	2,185,516	3,418,581	5,604,097
Interest and Fiscal Charges	475,347	545,501	1,020,848
<i>Total Expenditures</i>	<u>141,933,139</u>	<u>19,339,832</u>	<u>161,272,971</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,913,173</u>	<u>613,374</u>	<u>3,526,547</u>
Other Financing Sources (Uses)			
Inception of Capital Lease	0	1,946,217	1,946,217
Transfers In	0	79,304	79,304
Transfers Out	(78,834)	(37)	(78,871)
<i>Total Other Financing Sources (Uses)</i>	<u>(78,834)</u>	<u>2,025,484</u>	<u>1,946,650</u>
Special Item			
Sale of Elementary Schools	800,919	0	800,919
<i>Net Change in Fund Balances</i>	3,635,258	2,638,858	6,274,116
<i>Fund Balances Beginning of Year</i>	<u>18,482,047</u>	<u>1,736,355</u>	<u>20,218,402</u>
<i>Fund Balances End of Year</i>	<u>\$22,117,305</u>	<u>\$4,375,213</u>	<u>\$26,492,518</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, 2014*

Net Change in Fund Balances - Total Governmental Funds \$6,274,116

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	4,499,817	
Depreciation	(3,917,577)	
Total		582,240

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. (694,626)

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

Delinquent Property Taxes	(1,374,924)	
Grants	(536,796)	
Tuition and Fees	80,904	
Total		(1,830,816)

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. 5,604,097

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	28,845	
Amortization of Debt Discounts	(8,401)	
Amortization of Premium	16,032	
Total		36,476

Other financing sources, such as inception of capital lease, in the governmental funds increase long-term liabilities in the statement of net position. (1,946,217)

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. (159,628)

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. 325,423

Change in Net Position of Governmental Activities \$8,191,065

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Property Taxes	\$90,358,210	\$89,120,150	\$89,120,150	\$0
Intergovernmental	40,527,373	42,908,027	42,908,027	0
Interest	42,664	35,908	35,908	0
Tuition and Fees	3,058,386	3,053,152	3,053,152	0
Rentals	76,790	102,508	102,508	0
Extracurricular Activities	11,150	293,327	293,327	0
Charges for Services	984,684	856,572	856,572	0
Contributions and Donations	14,577	43,482	43,482	0
Payments in Lieu of Taxes	136,699	150,025	150,025	0
Miscellaneous	426,931	805,206	809,884	4,678
<i>Total Revenues</i>	<u>135,637,464</u>	<u>137,368,357</u>	<u>137,373,035</u>	<u>4,678</u>
Expenditures				
Current:				
Instruction:				
Regular	62,852,706	64,202,384	64,202,383	1
Special	22,496,564	23,041,142	23,041,142	0
Vocational	2,830,327	3,977,395	3,977,395	0
Adult/Continuing	10,296	9,990	9,990	0
Student Intervention Services	109,156	95,661	95,661	0
Support Services:				
Pupils	10,409,688	10,096,374	10,096,374	0
Instructional Staff	3,084,622	3,306,976	3,306,976	0
Board of Education	859,770	873,604	873,604	0
Administration	9,142,279	9,252,123	9,252,123	0
Fiscal	3,101,329	2,882,907	2,882,907	0
Business	1,468,545	1,501,656	1,501,656	0
Operation and Maintenance of Plant	11,267,801	11,227,386	11,227,386	0
Pupil Transportation	4,901,059	5,257,554	5,257,554	0
Central	3,803,755	3,001,387	3,001,387	0
Operation of Non-Instructional Services	67,589	67,384	67,384	0
Extracurricular Activities	1,784,062	1,880,763	1,880,763	0
Capital Outlay	302,621	699,126	699,126	0
Debt Service:				
Principal Retirement	1,741,030	1,672,580	1,672,580	0
Interest and Fiscal Charges	492,082	475,347	475,347	0
<i>Total Expenditures</i>	<u>140,725,281</u>	<u>143,521,739</u>	<u>143,521,738</u>	<u>1</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(5,087,817)</u>	<u>(6,153,382)</u>	<u>(6,148,703)</u>	<u>4,679</u>
Other Financing Sources (Uses)				
Advances In	988,100	988,251	988,251	0
Advances Out	(29,060)	(732,757)	(732,757)	0
Transfers In	3,682	3,682	3,682	0
Transfers Out	(3,290)	(82,947)	(78,834)	4,113
<i>Total Other Financing Sources (Uses)</i>	<u>959,432</u>	<u>176,229</u>	<u>180,342</u>	<u>4,113</u>
Special Item				
Sale of Elementary Schools	0	800,919	800,919	0
<i>Net Change in Fund Balance</i>	<u>(4,128,385)</u>	<u>(5,176,234)</u>	<u>(5,167,442)</u>	<u>8,792</u>
<i>Fund Balance Beginning of Year</i>	<u>12,478,378</u>	<u>12,478,378</u>	<u>12,478,378</u>	<u>0</u>
Prior Year Encumbrances Appropriated	4,169,171	4,169,171	4,169,171	0
<i>Fund Balance End of Year</i>	<u>\$12,519,164</u>	<u>\$11,471,315</u>	<u>\$11,480,107</u>	<u>\$8,792</u>

See accompanying notes to the basic financial statements

Parma City School District
Statement of Fund Net Position
Proprietary Funds
June 30, 2014

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
Assets		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$2,958,303	\$5,786,969
Inventory Held for Resale	32,670	0
<i>Total Current Assets</i>	2,990,973	5,786,969
<i>Noncurrent Assets:</i>		
Capital Assets, Net	312,759	0
<i>Total Assets</i>	3,303,732	5,786,969
Liabilities		
<i>Current Liabilities:</i>		
Accrued Wages and Benefits	56,774	0
Claims Payable	0	1,403,435
Compensated Absences Payable	45,930	0
Intergovernmental Payable	79,012	0
Interfund Payable	423,205	0
<i>Total Current Liabilities</i>	604,921	1,403,435
<i>Long-Term Liabilities:</i>		
Compensated Absences Payable	207,914	0
<i>Total Liabilities</i>	812,835	1,403,435
Net Position		
Investment in Capital Assets	312,759	0
Unrestricted	2,178,138	4,383,534
<i>Total Net Position</i>	\$2,490,897	\$4,383,534

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, 2014*

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
Operating Revenues		
Tuition	\$1,237,417	\$0
Sales	1,662,396	0
Charges for Services	0	17,582,766
Miscellaneous	3,075	0
<i>Total Operating Revenues</i>	<u>2,902,888</u>	<u>17,582,766</u>
Operating Expenses		
Salaries	2,091,154	0
Fringe Benefits	825,386	0
Purchased Services	394,033	1,303,288
Materials and Supplies	222,917	0
Cost of Sales	1,665,452	0
Depreciation	45,458	0
Claims	0	15,954,055
Other	24,940	0
<i>Total Operating Expenses</i>	<u>5,269,340</u>	<u>17,257,343</u>
<i>Operating Income (Loss)</i>	<u>(2,366,452)</u>	<u>325,423</u>
Non-Operating Revenues (Expenses)		
Interest	65	0
Operating Grants	2,582,583	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>2,582,648</u>	<u>0</u>
<i>Income (Loss) Before Transfers</i>	216,196	325,423
Transfer In	37	0
Transfer Out	(470)	0
<i>Change in Net Position</i>	215,763	325,423
<i>Net Position Beginning of Year</i>	<u>2,275,134</u>	<u>4,058,111</u>
<i>Net Position End of Year</i>	<u><u>\$2,490,897</u></u>	<u><u>\$4,383,534</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, 2014

	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	\$2,899,817	\$0
Cash Received from Interfund Services Provided	0	17,582,766
Other Cash Receipts	3,075	0
Cash Payments to Employees for Services	(2,092,855)	0
Cash Payments for Employee Benefits	(756,708)	0
Cash Payments for Goods and Services	(2,277,542)	(1,303,288)
Cash Payments for Claims	0	(16,228,888)
Other Cash Payments	(24,027)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	(2,248,240)	50,590
Cash Flows from Capital and Related Financing Activities		
Payments for Capital Acquisitions	(29,700)	0
Cash Flows from Noncapital Financing Activities		
Operating Grants Received	2,549,913	0
Transfers In	37	0
Transfers Out	(470)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	2,549,480	0
Cash Flows from Investing Activities		
Interest on Investments	76	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	271,616	50,590
<i>Cash and Cash Equivalents Beginning of Year</i>	2,686,687	5,736,379
<i>Cash and Cash Equivalents End of Year</i>	\$2,958,303	\$5,786,969

(continued)

Parma City School District
Statement of Cash Flows
Proprietary Funds (continued)
For the Fiscal Year Ended June 30, 2014

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating Income (Loss)	(\$2,366,452)	\$325,423
Adjustments:		
Depreciation	45,458	0
Donated Commodities Received During the Year	33,572	0
(Increase) Decrease in Assets:		
Inventory Held for Resale	(11,768)	0
Increase (Decrease) in Liabilities:		
Accounts Payable	(16,042)	0
Accrued Wages and Benefits	6,283	0
Compensated Absences Payable	68,693	0
Intergovernmental Payable	(7,984)	0
Claims Payable	0	(274,833)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$2,248,240)</u>	<u>\$50,590</u>

See accompanying notes to the basic financial statements
See accountant's compilation report

Parma City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$128,443</u>
Liabilities	
Undistributed Monies	\$343
Due to Students	<u>128,100</u>
<i>Total Liabilities</i>	<u>\$128,443</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, 2014

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 650 noncertified and 895 certificated full time teaching personnel who provide services to 11,248 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, 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, 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 16 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, 2014

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 and deferred inflows of resources is reported as fund balance. The general fund is the School District's only major governmental fund:

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.

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, 2014

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 outflows/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 8). 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, 2014

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.

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, 2014, but which were levied to finance fiscal year 2015 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, 2014, 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, 2014.

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 2014 amounted to \$35,532 which includes \$18,296 assigned from other School District funds.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014

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.

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.

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.

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 data communications and regular instruction.

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
For the Fiscal Year Ended June 30, 2014

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 government-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, 2014

School District Board of Education or a School District official delegated that authority by resolution or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District assigned fund balance for instructional services and to cover a gap between revenues and appropriations in fiscal year 2015's appropriated budget.

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 statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed by the Board of Education. 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, 2014

Note 3 – Accountability

Fund balances at June 30, 2014, included the following individual fund deficits:

<u>Fund</u>	<u>Amount</u>
<i>Special Revenue Funds:</i>	
Alternative Schools	\$1,147
Miscellaneous State Grants	12,515
Adult Basic Education	26,154
Race to the Top	34,532
Title VI-B	381,635
Vocational Education	67,674
Title II Technology	816
Limited English Proficiency	6,210
Refugee Children	6,897
Title I	302,283
Preschool Grant	17,276
Title VI-R	15,777

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 4 - 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 for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are 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, 2014

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	\$3,635,258
Net Adjustment for Revenue Accruals	(8,117,121)
Advances In	988,251
Net Adjustment for Expenditure Accruals	1,198,562
Perspective Differences:	
Public School Support	10,468
Advances Out	(732,757)
Adjustment for Encumbrances	<u>(2,161,689)</u>
Budget Basis	<u><u>(5,179,028)</u></u>

Note 5 - 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, 2014

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, \$2,872,395 of the School District's bank balance of \$18,425,615 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, 2014, the School District had an investment of \$10,363,466 in STAR Ohio, the State Treasurer's Investment Pool. This investment has an average maturity of 51.4 days.

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

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

Note 6 – 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:

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Fund Balances	General	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>			
Inventory	\$174,922	\$0	\$174,922
Unclaimed Funds	18,755	0	18,755
<i>Total Nonspendable</i>	193,677	0	193,677
<i>Restricted for</i>			
Social Services Resources and Support	0	65,011	65,011
Student Learning Improvement	0	1,925	1,925
District Managed Student Activities	0	657,695	657,695
Non-Public Schools	0	426,491	426,491
Turf Replacement	0	25,911	25,911
Capital Improvements	0	4,071,096	4,071,096
<i>Total Restricted</i>	0	5,248,129	5,248,129
<i>Assigned to</i>			
Instructional Services	474,333	0	474,333
Purchases on Order	1,744,708	0	1,744,708
Fiscal Year 2015 Appropriations	4,691,176	0	4,691,176
<i>Total Assigned</i>	6,910,217	0	6,910,217
<i>Unassigned (Deficit)</i>	15,013,411	(872,916)	14,140,495
<i>Total Fund Balances</i>	\$22,117,305	\$4,375,213	\$26,492,518

Note 7 – Significant Commitments

Contractual Commitments

At June 30, 2014, the School District’s significant contractual commitments consisted of:

Project	Contract Amount	Amount Paid to date	Remaining Contract
Parma High School Improvements	\$515,000	\$0	\$515,000
Byers Field Improvements	1,101,000	81,519	1,019,481
Total	\$1,616,000	\$81,519	\$1,534,481

Remaining commitment amounts were encumbered at fiscal year end.

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:

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Governmental Funds		Proprietary Funds	
General	\$2,161,689	Food Service	\$12,958
Other Governmental Funds	<u>2,227,230</u>	Adult Education	21
Total	<u><u>\$4,388,919</u></u>	Extended Daycare	<u>189,635</u>
		Total	<u><u>\$202,614</u></u>

Note 8 - 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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 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, 2014, are available to finance fiscal year 2014 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, 2014 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, 2014, was \$19,458,488 in the general fund, and \$1,102,948 in the permanent improvement capital projects fund. 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.

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.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,985,733,220	98.09 %	\$1,975,967,250	97.86 %
Public Utility	38,578,930	1.91	43,287,400	2.14
	<u>\$2,024,312,150</u>	<u>100.00 %</u>	<u>\$2,019,254,650</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$74.10		\$75.70	

During fiscal year 2014, property tax values decreased in the School District. This caused the tax rate to increase so that the emergency levies would meet their collection amounts.

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014
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	14,174,052	882,180	(482,529)	14,573,703
Buildings and Improvements	95,108,541	537,746	(1,972,282)	93,674,005
Furniture and Equipment	14,706,070	2,539,607	(429,019)	16,816,658
Vehicles	8,030,431	540,284	(416,294)	8,154,421
<i>Total Capital Assets, being depreciated</i>	<u>132,019,094</u>	<u>4,499,817</u>	<u>(3,300,124)</u>	<u>133,218,787</u>
Less Accumulated Depreciation:				
Land Improvements	(6,809,122)	(519,271)	261,625	(7,066,768)
Buildings and Improvements	(57,973,398)	(1,641,354)	1,523,322	(58,091,430)
Furniture and Equipment	(12,546,277)	(1,252,642)	404,257	(13,394,662)
Vehicles	(5,825,504)	(504,310)	416,294	(5,913,520)
Total Accumulated Depreciation	<u>(83,154,301)</u>	<u>(3,917,577)</u>	<u>2,605,498</u>	<u>(84,466,380)</u>
Total Capital Assets, being depreciated, net	<u>48,864,793</u>	<u>582,240</u>	<u>(694,626)</u>	<u>48,752,407</u>
Governmental Activities Capital Assets, Net	<u>\$53,961,523</u>	<u>\$582,240</u>	<u>(\$694,626)</u>	<u>\$53,849,137</u>

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,729,083
Special	27,682
Vocational	49,352
Adult/Continuing	1,449
Support Services:	
Pupils	76,902
Instructional Staff	20,463
Board of Education	1,016
Administration	37,387
Fiscal	7,346
Business	78,229
Operation and Maintenance of Plant	783,271
Pupil Transportation	471,984
Central	528,505
Operation of Non-Instructional Services	55,030
Extracurricular Activities	49,878
Total Depreciation Expense	\$3,917,577

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014
Business-Type Activities				
Buildings and Improvements	\$7,638	\$0	\$0	\$7,638
Furniture and Equipment	1,837,397	29,700	(60,748)	1,806,349
Vehicles	23,132	0	0	23,132
Totals at Historical Cost	1,868,167	29,700	(60,748)	1,837,119
Less Accumulated Depreciation:				
Buildings and Improvements	(2,518)	(196)	0	(2,714)
Furniture and Equipment	(1,516,558)	(44,105)	59,835	(1,500,828)
Vehicles	(19,661)	(1,157)	0	(20,818)
Total Accumulated Depreciation	(1,538,737)	(45,458)	59,835	(1,524,360)
Business-Type Activities Capital Asset, Net	\$329,430	(\$15,758)	(\$913)	\$312,759

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

Food Service	\$35,379
Adult Education	1,262
Extended Daycare/Preschool	8,817
Total Depreciation Expense	\$45,458

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 10 - 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, 2014, the School District contracted with Argonaut Insurance Company for the following coverage:

Type of Coverage	Limit	Deductible
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	302,882,707	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 2014 plan year of \$1,000,000.

The claims liability of \$1,403,435 reported in the internal service fund at June 30, 2014, 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 2013 and 2014 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2013	\$1,560,116	\$15,343,431	\$15,225,279	\$1,678,268
2014	1,678,268	15,954,055	16,228,888	1,403,435

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, 2014

Note 11 – Receivables

Receivables at June 30, 2014, 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:

Governmental Activities	Amounts
Special Education, Part B-IDEA	\$563,466
Title I	531,263
Catastrophic Cost	393,757
Race to the Top	179,774
Carl Perkins	70,385
Alternative Education	68,814
21st Century	56,555
ABLE Instructional	48,082
Title II-A	45,368
Early Childhood Special Education	25,849
EL/Civics	20,528
Early Literacy Reading Readiness	7,932
Title III	3,478
Homeless Assistance	2,496
Total Governmental Activities	\$2,017,747

Note 12 – 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, 2014, the allocation to pension and 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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,363,177, \$2,342,563 and \$2,369,836, respectively. For fiscal year 2014, 75.32 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$8,550,472 and \$301,045 for the fiscal year ended June 30, 2014, \$8,603,629 and \$288,907 for the fiscal year ended June 30, 2013, and \$8,263,708 and \$238,644 for the fiscal year ended June 30, 2012. For fiscal year 2014, 84.10 percent has been contributed for the DB plan and 84.10 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 2013 and 2012.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$139,651 made by the School District and \$109,726 made by the plan members. In addition, member contributions of \$236,535 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

Note 13 – 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 2014, 0.14 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 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$330,037 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, 2014, 2013, and 2012 were \$355,292, \$422,144, and \$376,362, respectively. For fiscal year 2014, 75.32 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$137,100, \$138,340, and \$139,951 respectively. For fiscal year 2014, 75.32 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$657,729, \$661,818, and \$635,670 respectively. For fiscal year 2014, 84.10 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Note 14 - 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.

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:

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 10); vision insurance is through Medical Mutual of Ohio, and dental insurance through MetLife to all eligible employees.

Note 15 - 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 - 2006	3.0000 %	\$11,000,000	December 1, 2015
Energy Conservation Loan - 2002 (Phase IV)	3.0000-4.7500	2,240,000	December 28, 2016
Energy Conservation Loan - 2003 (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

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

	Principal Outstanding 7/1/2013	Additions	(Reductions)	Principal Outstanding 6/30/2014	Amount Due in One Year
Governmental Activities:					
2006 Construction Note	\$3,755,000	\$0	(\$1,205,000)	\$2,550,000	\$1,250,000
Unamortized Premium on Construction Note	48,098	0	(16,032)	32,066	0
2002 Energy Conservation Loan (Phase IV)	787,000	0	(183,000)	604,000	192,000
2003 Energy Conservation Loan (Phase V)	2,331,000	0	(546,000)	1,785,000	569,000
2004 Energy Conservation Loan (Phase VI)	2,624,791	0	(391,382)	2,233,409	408,753
2005 Energy Conservation Loan (Phase VII)	1,373,509	0	(171,069)	1,202,440	178,836
2006 Energy Conservation Loan (Phases VIII & IX)	2,118,052	0	(226,634)	1,891,418	236,600
2008 Energy Conservation Loan (Phase X)	1,769,663	0	(154,495)	1,615,168	161,194
2006 Certificates of Participation	11,455,000	0	(1,990,000)	9,465,000	2,060,000
Unamortized Discount on Certificates of Participation	(42,006)	0	8,401	(33,605)	0
Capital Leases	823,678	1,946,217	(736,517)	2,033,378	766,119
Compensated Absences	7,549,382	531,769	(372,141)	7,709,010	635,908
Total Governmental Activities	\$34,593,167	\$2,477,986	(\$5,983,869)	\$31,087,284	\$6,458,410
Business-Type Activities:					
Compensated Absences	\$185,151	\$110,566	(\$41,873)	\$253,844	\$45,930

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.

The note liability will be paid from the permanent improvement 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 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 education, and extended daycare/preschool enterprise funds.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The School District's overall legal debt margin was \$181,732,919 with an unvoted debt margin of \$2,019,255 at June 30, 2014. Principal and interest requirements to retire the debt outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Construction Notes		Energy Conservation Loans	
	Principal	Interest	Principal	Interest
	2015	\$1,250,000	\$83,500	\$1,746,383
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	0	0	1,171,953	106,354
2020-2023	0	0	1,559,202	105,014
Total	\$2,550,000	\$112,750	\$9,331,435	\$1,322,034

Fiscal Year Ending June 30,	Certificates of Participation		Total	
	Principal	Interest	Principal	Interest
	2015	\$2,060,000	\$337,400	\$5,056,383
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	0	0	1,171,953	106,354
2020-2023	0	0	1,559,202	105,014
Total	\$9,465,000	\$762,900	\$21,346,435	\$2,197,684

Note 16 - 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 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 \$816,222 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.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 196 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 2014, the School District paid \$6,675 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 152 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 17 - 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, 2014.

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, 2014

Note 18 - Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2014, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable General Fund
Other Governmental Funds:	
Alternative Schools	\$60,325
Miscellaneous State Grants	12,247
Adult Basic Education	56,377
Race to the Top	42,205
Title VI-B	310,475
Vocational Education	94,979
Title II Technology	816
Limited English Proficiency	3,603
Refugee Children	6,897
Title I	167,072
Preschool Grant	16,426
Title VI-R	21,434
Permanent Improvement	150,000
Total Other Governmental Funds	942,856
Business-Type Activities:	
Adult Education	252,802
Extended Day Care	170,403
Total Business-Type Activities	423,205
Total	\$1,366,061

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 education and extended day care enterprise funds.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Interfund Transfers

At June 30, 2014, interfund transfers were as follows:

<u>Transfers To</u>	<u>Transfers From</u>			<u>Total</u>
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Non-Major Enterprise Funds</u>	
Other Governmental Funds:				
Adult Basic Education	\$0	\$0	\$470	\$470
Permanent Improvement	78,834	0	0	78,834
<i>Total Governmental Funds</i>	78,834	0	470	79,304
Enterprise Fund:				
Adult Education	0	37	0	37
Total	<u>\$78,834</u>	<u>\$37</u>	<u>\$470</u>	<u>\$79,341</u>

The transfer from the general fund to a nonmajor capital projects fund of \$78,834 was made to move unrestricted balances to support programs and projects accounted for in other funds. The other governmental funds transferred \$37 to the adult education enterprise fund to support programs and projects. The transfer from adult education enterprise fund to the adult basic education special revenue fund of \$470, was also made to support programs and projects.

Note 19 - 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.

	<u>Capital Improvement</u>
Set-aside Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	1,885,037
Offsets During the Fiscal Year	(1,560,733)
Qualifying Disbursements	(5,044,920)
Totals	<u>(\$4,720,616)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Balance as of June 30, 2014	<u>\$0</u>

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 20 - Capital Leases

During fiscal year 2014, the School District entered into new leases for copiers.

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	\$4,802,271
Less: Accumulated Depreciation:	<u>(2,830,893)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u><u>\$1,971,378</u></u>

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

	Governmental Activities
2015	\$823,374
2016	823,373
2017	310,437
2018	146,965
2019	<u>46,236</u>
Total Minimum Lease Payments	2,150,385
Less: Amounts Representing Interest	<u>(117,007)</u>
Present Value of Minimum Lease Payments	<u><u>\$2,033,378</u></u>

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

(This Page Intentionally Left Blank.)

**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

<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>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 278,184	\$ 278,184
Cash Assistance:			
School Breakfast Program	10.553	358,279	358,279
National School Lunch Program		<u>2,073,239</u>	<u>2,073,239</u>
Total Cash Assistance		<u>2,431,518</u>	<u>2,431,518</u>
Total Child Nutrition Cluster		<u>2,709,702</u>	<u>2,709,702</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>2,709,702</u>	<u>2,709,702</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027	502,692	296,618
		<u>2,391,091</u>	<u>2,636,330</u>
Total Special Education - Grants to States (IDEA, Part B)		<u>2,893,783</u>	<u>2,932,948</u>
Special Education - Preschool Grants (IDEA Preschool)	84.173	22,769	17,670
		<u>85,235</u>	<u>100,147</u>
Total Special Education - Preschool Grants (IDEA Preschool)		<u>108,004</u>	<u>117,817</u>
Total Special Education Cluster (IDEA)		<u>3,001,787</u>	<u>3,050,765</u>
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	710,585	401,982
		<u>2,097,596</u>	<u>2,251,827</u>
Total Title I, Part A		<u>2,808,181</u>	<u>2,653,809</u>
Education of Homeless Children and Youth	84.196	8,956	4,429
		<u>35,444</u>	<u>36,772</u>
Total Education of Homeless Children		<u>44,400</u>	<u>41,201</u>
Career and Technical Education – Basic Grants to States (Perkins IV)	84.048	72,035	38,186
		<u>122,582</u>	<u>160,231</u>
Total Career and Technical Education – Basic Grants to States (Perkins IV)		<u>194,617</u>	<u>198,417</u>
Twenty-First Century Community Learning Centers	84.287	32,104	2,379
		<u>143,445</u>	<u>187,160</u>
Total Twenty-First Century Community Learning Centers		<u>175,549</u>	<u>189,539</u>
Improving Teacher Quality State Grants	84.367	65,659	57,881
		<u>255,670</u>	<u>267,119</u>
Total Improving Teacher Quality State Grants		<u>321,329</u>	<u>325,000</u>
English Language Acquisition Grant	84.365	29,428	7,884
		<u>45,467</u>	<u>49,199</u>
Total English Language Acquisition Grant		<u>74,895</u>	<u>57,083</u>

**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)**

<u>FEDERAL GRANTOR/ Pass Through Grantor Program Title</u>	Federal CFDA Number	Receipts	Expenditures
Adult Education - State Grant Program	84.002	\$128,708 <u>790,859</u> 919,567	\$14,886 <u>839,123</u> 854,009
<i>Passed Through Cuyahoga Community College:</i> Adult Education - Rotary Program	84.002	<u>62,793</u>	<u>3,548</u>
Total Adult Education - Rotary Program		<u>982,360</u>	<u>857,557</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	10,046 66,668 <u>310,051</u> 386,765	- 39,822 <u>353,626</u> 393,448
<i>Passed Through Battelle for Kids:</i> ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	<u>-</u>	<u>147</u>
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act		<u>386,765</u>	<u>393,595</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>7,989,883</u>	<u>7,766,966</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	9,782 <u>709</u> 10,491	- <u>7,695</u> 7,695
Total Refugee Impact and Entrant Assistance		<u>10,491</u>	<u>7,695</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>10,491</u>	<u>7,695</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 10,710,076</u>	<u>\$ 10,484,363</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, 2014**

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.

This page intentionally left blank.



Dave Yost • Auditor of State

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

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, the 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 4, 2015.

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

March 4, 2015



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 Parma City School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's 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 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, 2014.

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

March 4, 2015

**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<ul style="list-style-type: none"> ➤ Title I Grants to Local Educational Agencies, CFDA 84.010; ➤ Adult Education – State Grant Program, CFDA 84.002.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$314,531 Type B: all others
<i>(d)(1)(ix)</i>	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

This page intentionally left blank.



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 17, 2015**