



Dave Yost • Auditor of State



**PARMA CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2015, 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, 2015, 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.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

February 19, 2016

**Parma City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

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The discussion and analysis of Parma City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 2015 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.

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*Unaudited*

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- **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 2015 compared to fiscal year 2014:

**Parma City School District**  
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	Table 1 Net Position (In millions)					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and Other Assets	\$117.5	\$124.6	\$3.1	\$2.6	\$120.6	\$127.2
Capital Assets, Net of Depreciation	58.7	53.9	0.3	0.3	59.0	54.2
Total Assets	<u>176.2</u>	<u>178.5</u>	<u>3.4</u>	<u>2.9</u>	<u>179.6</u>	<u>181.4</u>
<b>Deferred Outflows of Resources</b>						
Pension	<u>13.8</u>	<u>10.8</u>	<u>0.3</u>	<u>0.3</u>	<u>14.1</u>	<u>11.1</u>
<b>Liabilities</b>						
Current and Other Liabilities	15.7	15.9	0.1	0.1	15.8	16.0
Long-Term Liabilities:						
Due Within One Year	9.2	6.5	0.1	0.1	9.3	6.6
Due in More than One Year:						
Net Pension Liability	184.5	219.3	3.6	4.2	188.1	223.5
Other Amounts	<u>22.3</u>	<u>24.6</u>	<u>0.2</u>	<u>0.2</u>	<u>22.5</u>	<u>24.8</u>
Total Liabilities	<u>231.7</u>	<u>266.3</u>	<u>4.0</u>	<u>4.6</u>	<u>235.7</u>	<u>270.9</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	68.8	70.4	0.0	0.0	68.8	70.4
Pension	<u>33.4</u>	<u>0.0</u>	<u>0.6</u>	<u>0.0</u>	<u>34.0</u>	<u>0.0</u>
Total Deferred Inflows of Resources	<u>102.2</u>	<u>70.4</u>	<u>0.6</u>	<u>0.0</u>	<u>102.8</u>	<u>70.4</u>
<b>Net Position</b>						
Net Investment in Capital Assets	35.1	30.5	0.3	0.3	35.4	30.8
Restricted for:						
Capital Projects	4.4	4.4	0.0	0.0	4.4	4.4
Debt Service	0.0	0.1	0.0	0.0	0.0	0.1
Other Purposes	1.2	1.1	0.0	0.0	1.2	1.1
Unrestricted	<u>(184.6)</u>	<u>(183.5)</u>	<u>(1.2)</u>	<u>(1.8)</u>	<u>(185.8)</u>	<u>(185.3)</u>
Total Net Position	<u>(\$143.9)</u>	<u>(\$147.4)</u>	<u>(\$0.9)</u>	<u>(\$1.5)</u>	<u>(\$144.8)</u>	<u>(\$148.9)</u>

Total assets of governmental activities decreased \$2.3 million. This decrease was due mainly to decreases in cash and cash equivalents due to increased expenses, offset by small increases in property taxes receivable and capital assets. Property taxes receivable increased as the result of higher assessed values and outstanding delinquencies.

Total liabilities for governmental activities decreased \$34.6 million. This decrease was a result of a decrease in the net pension liability.

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$63,635,980 to (\$148,817,293).

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Table 2 shows the changes in net position for fiscal years 2015 and 2014 for both governmental and business-type activities.

Table 2  
Change in Net Position  
(In millions)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$4.1	\$5.5	\$2.9	\$2.9	\$7.0	\$8.4
Operating Grants and Contributions	17.9	17.7	2.6	2.5	20.5	20.2
Capital Grants and Contributions	1.0	1.0	0.0	0.0	1.0	1.0
<i>Total Program Revenues</i>	<u>23.0</u>	<u>24.2</u>	<u>5.5</u>	<u>5.4</u>	<u>28.5</u>	<u>29.6</u>
General Revenues:						
Property Taxes	100.4	99.7	0.0	0.0	100.4	99.7
Grants and Entitlements	39.3	37.0	0.0	0.0	39.3	37.0
Investment Earnings	0.1	0.0	0.0	0.0	0.1	0.0
Payment in Lieu of Taxes	0.1	0.2	0.0	0.0	0.1	0.2
Unrestricted Contributions and Donations	0.0	0.1	0.0	0.0	0.0	0.1
Gain on Sale of Capital Assets	0.9	0.0	0.0	0.0	0.9	0.0
Miscellaneous	4.0	1.8	0.0	0.0	4.0	1.8
<i>Total General Revenues</i>	<u>144.8</u>	<u>138.8</u>	<u>0.0</u>	<u>0.0</u>	<u>144.8</u>	<u>138.8</u>
Special Item	0.0	0.8	0.0	0.0	0.0	0.8
Total Revenues and Special Item	<u>167.8</u>	<u>163.8</u>	<u>5.5</u>	<u>5.4</u>	<u>173.3</u>	<u>169.2</u>
<b>Program Expenses</b>						
Instruction	96.5	96.7	0.0	0.0	96.5	96.7
Support Services:						
Pupils and Instructional Staff	19.0	15.3	0.0	0.0	19.0	15.3
Board of Education, Administration, Fiscal and Business	16.7	15.4	0.0	0.0	16.7	15.4
Operation and Maintenance of Plant	12.8	11.1	0.0	0.0	12.8	11.1
Pupil Transportation	6.8	5.9	0.0	0.0	6.8	5.9
Central	3.7	3.3	0.0	0.0	3.7	3.3
Operation of Non-Instructional Services	4.2	3.6	0.0	0.0	4.2	3.6
Enterprise Operations	0.0	0.0	5.1	5.2	5.1	5.2
Extracurricular Activities	3.6	3.3	0.0	0.0	3.6	3.3
Interest and Fiscal Charges	0.8	1.0	0.0	0.0	0.8	1.0
Total Program Expenses	<u>164.1</u>	<u>155.6</u>	<u>5.1</u>	<u>5.2</u>	<u>169.2</u>	<u>160.8</u>
Excess Revenues Over Expenses	3.7	8.2	0.4	0.2	4.1	8.4
Transfers	(0.2)	0.0	0.2	0.0	0.0	0.0
Change in Net Position	3.5	8.2	0.6	0.2	4.1	8.4
<i>Net Position Beginning of Year</i>	<u>(147.4)</u>	N/A	<u>(1.5)</u>	N/A	<u>(148.9)</u>	N/A
<i>Net Position End of Year</i>	<u>(\$143.9)</u>	<u>(\$147.4)</u>	<u>(\$0.9)</u>	<u>(\$1.5)</u>	<u>(\$144.8)</u>	<u>(\$148.9)</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$11,121,091 computed under GASB 27. GASB 27 required

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recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$7,964,462. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$169,182,034
Pension expense under GASB 68	(7,964,462)
2015 contractually required contribution	<u>12,332,949</u>
Adjusted 2015 program expenses	173,550,521
Total 2014 program expenses under GASB 27	<u>(160,848,329)</u>
Increase in program expenses not related to pension	<u><u>\$12,702,192</u></u>

Total governmental activities net position increased \$3.5 million. Grants and entitlements increased by \$2.3 million due to an increase in State grants in fiscal year 2015.

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 over 59 percent of revenues for governmental activities for the School District in fiscal year 2015.

The largest Governmental Activities program expense remains instruction, comprising approximately 58.8 percent of total expenses. A change in accounting coding caused a decrease in instructional expenses and an increase in pupil and instructional staff expenses in fiscal year 2015. When combined with pupils and instructional support these categories make up 70.4 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.

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Table 3  
 Governmental Activities  
 (In millions)

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Instruction	\$96.5	\$83.9	\$96.7	\$84.9
Support Services:				
Pupils and Instructional Staff	19.0	15.8	15.3	12.1
Board of Education, Administration Fiscal and Business	16.7	15.4	15.4	13.5
Operation and Maintenance of Plant	12.8	12.4	11.1	10.3
Pupil Transportation	6.8	6.0	5.9	5.3
Central	3.7	3.6	3.3	2.3
Operation of Non-Instructional Services	4.2	0.6	3.6	0.1
Extracurricular Activities	3.6	2.6	3.3	1.9
Interest and Fiscal Charges	0.8	0.8	1.0	1.0
Total	<u>\$164.1</u>	<u>\$141.1</u>	<u>\$155.6</u>	<u>\$131.4</u>

The dependence upon tax revenues for governmental activities is apparent. 86.9 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 \$0.6 million in fiscal year 2015. 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 \$147.4 million and expenditures of \$159.4 million. The net change in fund balance for the year was a decrease of approximately \$2.5 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.

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For the general fund, original and final budget basis estimated revenues were \$134.9 million and \$143 million, respectively. This increase was due to a conservative approach to revenue estimates at the beginning of the fiscal year. Total actual revenues were \$143 million.

During the course of fiscal year 2015, the School District amended its general fund budget several times. Final appropriations for the general fund increased by \$7.3 million from the original appropriations due to the settlement of labor contracts in February and May with the Ohio Association of Public School Employees (OAPSE) and the Parma Education Association (PEA), respectively. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$151.7 million.

**Capital Assets and Debt Administration**

*Capital Assets*

Table 4 shows fiscal year 2015 balances compared to fiscal year 2014:

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$5.1	\$5.1	\$0.0	\$0.0	\$5.1	\$5.1
Land Improvements	7.8	7.5	0.0	0.0	7.8	7.5
Buildings and Improvements	34.3	35.6	0.0	0.0	34.3	35.6
Furniture and Equipment	9.1	3.4	0.3	0.3	9.4	3.7
Vehicles	2.4	2.2	0.0	0.0	2.4	2.2
<b>Totals</b>	<b>\$58.7</b>	<b>\$53.8</b>	<b>\$0.3</b>	<b>\$0.3</b>	<b>\$59.0</b>	<b>\$54.1</b>

During fiscal year 2015, the School District purchased copiers as well as land and buildings improvements.

For fiscal year 2015, 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 2015, the School District had qualifying disbursements or offsets exceeding these requirements. See Note 10 to the basic financial statements for additional information on capital assets and Note 20 for additional information on set-asides.

*Debt*

At June 30, 2015, the School District had \$16.3 million in notes, loans, and certificates of participation outstanding, with \$5.3 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, 2015*  
*Unaudited*

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

	Governmental Activities	
	2015	2014
2006 Construction Note	\$1.3	\$2.5
2002 Energy Conservation Loan (Phase IV)	0.4	0.6
2003 Energy Conservation Loan (Phase V)	1.2	1.8
2004 Energy Conservation Loan (Phase VI)	1.8	2.2
2005 Energy Conservation Loan (Phase VII)	1.0	1.2
2006 Energy Conservation Loan (Phase VIII & IX)	1.7	1.9
2008 Energy Conservation Loan (Phase X)	1.5	1.6
2006 Certificates of Participation	7.4	9.5
Totals	<u>\$16.3</u>	<u>\$21.3</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, 2015, the School District's overall legal debt margin was \$181.9 million with an unvoted debt margin of \$2.0 million. See Note 16 to the basic financial statements for additional information on debt.

**Parma City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

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**School District Outlook**

In the fall of 2014, the School District implemented its technology device for every student plan. This gave every kindergarten to second grade student a mini iPad, every third grade to seventh grade student an iPad, and every eighth grade to twelfth grade student a MacAir laptop computer. The School District is committed to maintaining every student having a technology device as an integral part of instruction.

After close to two years of negotiations, the School District reached settlements with OAPSE and PEA. The labor contracts are through July 2017. The PEA contract was an implementation of the last best offer by the Board of Education.

The School District is coming to the end of the 2011 fixed sum levy cycle and will be looking for new money by 2018.

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](mailto:bowmand@parmacityschools.org).

## **Basic Financial Statements**

**Parma City School District**

*Statement of Net Position*

*June 30, 2015*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$15,014,866	\$3,322,425	\$18,337,291
Accounts Receivable	620,218	7,376	627,594
Intergovernmental Receivable	1,446,925	0	1,446,925
Internal Balances	252,802	(252,802)	0
Materials and Supplies Inventory	203,089	0	203,089
Inventory Held for Resale	0	29,330	29,330
Property Taxes Receivable	99,993,492	0	99,993,492
Nondepreciable Capital Assets	5,096,730	0	5,096,730
Depreciable Capital Assets, Net	53,602,082	299,750	53,901,832
<i>Total Assets</i>	<u>176,230,204</u>	<u>3,406,079</u>	<u>179,636,283</u>
<b>Deferred Outflows of Resources</b>			
Pension	13,777,760	329,151	14,106,911
<b>Liabilities</b>			
Accounts Payable	719,779	4,908	724,687
Contracts Payable	188,608	0	188,608
Accrued Wages and Benefits	9,895,364	59,249	9,954,613
Intergovernmental Payable	2,942,714	72,158	3,014,872
Matured Compensated Absences Payable	338,866	0	338,866
Accrued Interest Payable	45,724	0	45,724
Retainage Payable	8,720	0	8,720
Claims Payable	1,519,988	0	1,519,988
Long-Term Liabilities:			
Due Within One Year	9,157,612	67,219	9,224,831
Due In More Than One Year:			
Net Pension Liability (See Note 13)	184,550,521	3,593,143	188,143,664
Other Amounts Due In More Than One Year	22,296,332	201,247	22,497,579
<i>Total Liabilities</i>	<u>231,664,228</u>	<u>3,997,924</u>	<u>235,662,152</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	68,765,953	0	68,765,953
Pension	33,456,077	591,957	34,048,034
<i>Total Deferred Inflows of Resources</i>	<u>102,222,030</u>	<u>591,957</u>	<u>102,813,987</u>
<b>Net Position</b>			
Net Investment in Capital Assets	35,134,577	299,750	35,434,327
Restricted for:			
Capital Projects	4,384,844	0	4,384,844
District Managed Student Activities	646,934	0	646,934
Auxiliary Services	139,258	0	139,258
Other Purposes	396,658	0	396,658
Unclaimed Funds	23,981	0	23,981
Unrestricted (Deficit)	<u>(184,604,546)</u>	<u>(1,154,401)</u>	<u>(185,758,947)</u>
<i>Total Net Position</i>	<u>(\$143,878,294)</u>	<u>(\$854,651)</u>	<u>(\$144,732,945)</u>

See accompanying notes to the basic financial statements

**Parma City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2015

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$62,181,996	\$1,476,578	\$361,808	\$0
Special	28,437,854	514,081	8,527,660	0
Vocational	5,163,900	105,361	1,022,511	0
Adult/Continuing	626,876	225	616,778	0
Student Intervention Services	132,957	2,674	0	0
Support Services:				
Pupils	13,026,645	237,855	1,188,045	0
Instructional Staff	5,924,264	86,554	1,638,934	0
Board of Education	703,513	17,804	0	0
Administration	11,372,564	224,333	837,873	0
Fiscal	2,986,218	58,520	0	122,052
Business	1,620,630	30,399	0	0
Operation and Maintenance of Plant	12,790,467	249,988	0	124,362
Pupil Transportation	6,849,959	128,763	2,639	749,166
Central	3,672,478	63,408	34,388	0
Operation of Non-Instructional Services	4,179,077	1,717	3,612,256	0
Extracurricular Activities	3,592,817	906,698	25,945	0
Interest and Fiscal Charges	803,152	0	0	0
<i>Total Governmental Activities</i>	<u>164,065,367</u>	<u>4,104,958</u>	<u>17,868,837</u>	<u>995,580</u>
<b>Business-Type Activities</b>				
Food Service	3,912,280	1,659,474	2,603,121	0
Adult Continuing Education	110,502	48,633	0	0
Extended Day Care/Preschool	1,093,885	1,236,928	0	0
<i>Total Business-Type Activities</i>	<u>5,116,667</u>	<u>2,945,035</u>	<u>2,603,121</u>	<u>0</u>
<i>Totals</i>	<u><u>\$169,182,034</u></u>	<u><u>\$7,049,993</u></u>	<u><u>\$20,471,958</u></u>	<u><u>\$995,580</u></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

Gain on Sale of Capital Assets

Miscellaneous

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Position

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

*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
(\$60,343,610)	\$0	(\$60,343,610)
(19,396,113)	0	(19,396,113)
(4,036,028)	0	(4,036,028)
(9,873)	0	(9,873)
(130,283)	0	(130,283)
(11,600,745)	0	(11,600,745)
(4,198,776)	0	(4,198,776)
(685,709)	0	(685,709)
(10,310,358)	0	(10,310,358)
(2,805,646)	0	(2,805,646)
(1,590,231)	0	(1,590,231)
(12,416,117)	0	(12,416,117)
(5,969,391)	0	(5,969,391)
(3,574,682)	0	(3,574,682)
(565,104)	0	(565,104)
(2,660,174)	0	(2,660,174)
(803,152)	0	(803,152)
<u>(141,095,992)</u>	<u>0</u>	<u>(141,095,992)</u>
0	350,315	350,315
0	(61,869)	(61,869)
<u>0</u>	<u>143,043</u>	<u>143,043</u>
0	431,489	431,489
<u>(141,095,992)</u>	<u>431,489</u>	<u>(140,664,503)</u>
95,054,484	0	95,054,484
5,319,555	0	5,319,555
39,289,556	0	39,289,556
80,635	12	80,647
124,702	0	124,702
20,014	0	20,014
877,757	0	877,757
<u>3,978,361</u>	<u>3,775</u>	<u>3,982,136</u>
144,745,064	3,787	144,748,851
<u>(170,403)</u>	<u>170,403</u>	<u>0</u>
<u>144,574,661</u>	<u>174,190</u>	<u>144,748,851</u>
3,478,669	605,679	4,084,348
<u>(147,356,963)</u>	<u>(1,460,330)</u>	<u>(148,817,293)</u>
<u>(\$143,878,294)</u>	<u>(\$854,651)</u>	<u>(\$144,732,945)</u>

**Parma City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2015*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,743,513	\$4,166,473	\$11,909,986
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	23,981	0	23,981
Accounts Receivable	618,883	1,335	620,218
Intergovernmental Receivable	1,000	1,445,925	1,446,925
Interfund Receivable	809,901	0	809,901
Materials and Supplies Inventory	203,089	0	203,089
Property Taxes Receivable	94,697,605	5,295,887	99,993,492
<i>Total Assets</i>	<u>\$104,097,972</u>	<u>\$10,909,620</u>	<u>\$115,007,592</u>
<b>Liabilities</b>			
Accounts Payable	\$618,854	\$100,925	\$719,779
Contracts Payable	58,204	130,404	188,608
Accrued Wages and Benefits	9,361,184	534,180	9,895,364
Intergovernmental Payable	2,621,481	321,233	2,942,714
Interfund Payable	0	557,099	557,099
Retainage Payable	8,720	0	8,720
Matured Compensated Absences Payable	305,246	33,620	338,866
<i>Total Liabilities</i>	<u>12,973,689</u>	<u>1,677,461</u>	<u>14,651,150</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	6,381,797	1,586,812	7,968,609
Property Taxes	65,147,977	3,617,976	68,765,953
<i>Total Deferred Inflows of Resources</i>	<u>71,529,774</u>	<u>5,204,788</u>	<u>76,734,562</u>
<b>Fund Balances</b>			
Nonspendable	227,070	0	227,070
Restricted	0	4,863,198	4,863,198
Assigned	7,959,109	0	7,959,109
Unassigned (Deficit)	11,408,330	(835,827)	10,572,503
<i>Total Fund Balances</i>	<u>19,594,509</u>	<u>4,027,371</u>	<u>23,621,880</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$104,097,972</u>	<u>\$10,909,620</u>	<u>\$115,007,592</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, 2015*

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<b>Total Governmental Fund Balances</b>	<b>\$23,621,880</b>
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*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.	58,698,812
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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	6,125,406
Intergovernmental	1,260,628
Tuition and Fees	582,575
Total	7,968,609

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(45,724)
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Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds:	
Notes Payable	(1,300,000)
Premium on Notes	(16,033)
Loans Payable	(7,585,052)
Certificates of Participation Payable	(7,405,000)
Discount on Certificates of Participation	25,204
Capital Lease Payable	(7,102,059)
Compensated Absences	(8,071,004)
Total	(31,453,944)

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	13,777,760
Net Pension Liability	(184,550,521)
Deferred Inflows - Pension	(33,456,077)
Total	(204,228,838)

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.	1,560,911
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<i>Net Position of Governmental Activities</i>	<u><u>(\$143,878,294)</u></u>
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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, 2015*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$94,763,294	\$5,305,262	\$100,068,556
Intergovernmental	45,052,820	12,750,889	57,803,709
Interest	78,504	2,131	80,635
Tuition and Fees	2,042,863	0	2,042,863
Extracurricular Activities	523,686	622,169	1,145,855
Rentals	91,381	0	91,381
Charges for Services	991,292	650	991,942
Contributions and Donations	44,848	5,777	50,625
Payments in Lieu of Taxes	121,134	3,568	124,702
Miscellaneous	3,646,812	331,549	3,978,361
<i>Total Revenues</i>	<u>147,356,634</u>	<u>19,021,995</u>	<u>166,378,629</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	63,281,158	336,925	63,618,083
Special	23,275,591	3,516,081	26,791,672
Vocational	4,795,163	106,449	4,901,612
Adult/Continuing	10,230	590,066	600,296
Student Intervention Services	121,808	0	121,808
Support Services:			
Pupils	10,776,909	1,395,702	12,172,611
Instructional Staff	3,916,133	1,623,341	5,539,474
Board of Education	809,368	0	809,368
Administration	10,196,013	814,060	11,010,073
Fiscal	2,657,713	81,246	2,738,959
Business	1,374,233	0	1,374,233
Operation and Maintenance of Plant	11,347,331	82,784	11,430,115
Pupil Transportation	5,808,070	501,260	6,309,330
Central	2,873,380	32,844	2,906,224
Operation of Non-Instructional Services	79,616	3,776,067	3,855,683
Extracurricular Activities	2,683,295	663,837	3,347,132
Capital Outlay	9,513,941	2,119,091	11,633,032
Debt Service:			
Principal Retirement	5,469,347	3,310,000	8,779,347
Interest and Fiscal Charges	400,120	420,900	821,020
<i>Total Expenditures</i>	<u>159,389,419</u>	<u>19,370,653</u>	<u>178,760,072</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(12,032,785)</u>	<u>(348,658)</u>	<u>(12,381,443)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Assets	889,563	0	889,563
Inception of Capital Lease	8,791,645	0	8,791,645
Transfers In	0	816	816
Transfers Out	(171,219)	0	(171,219)
<i>Total Other Financing Sources (Uses)</i>	<u>9,509,989</u>	<u>816</u>	<u>9,510,805</u>
<i>Net Change in Fund Balances</i>	<u>(2,522,796)</u>	<u>(347,842)</u>	<u>(2,870,638)</u>
<i>Fund Balances Beginning of Year</i>	<u>22,117,305</u>	<u>4,375,213</u>	<u>26,492,518</u>
<i>Fund Balances End of Year</i>	<u>\$19,594,509</u>	<u>\$4,027,371</u>	<u>\$23,621,880</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, 2015*

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**Net Change in Fund Balances - Total Governmental Funds** (\$2,870,638)

*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	11,863,749	
Depreciation	(7,002,268)	
Total	4,861,481	4,861,481

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. (11,806)

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

Delinquent Property Taxes	305,483	
Intergovernmental	267,071	
Tuition and Fees	(167,083)	
Total	405,471	405,471

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. 8,779,347

In the statement of activities, interest is accrued on outstanding debt. Debt premiums and debt discounts are amortized over the term of the debt, whereas in an interest governmental funds expenditure is reported when due and premiums and discounts are reported when the debt is due:

Accrued Interest	10,236	
Amortization of Debt Discounts	(8,401)	
Amortization of Premium	16,033	
Total	17,868	17,868

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 12,034,810

Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the statement of activities. (7,761,602)

Other financing sources, such as inception of capital lease, in the governmental funds increase long-term liabilities in the statement of net position. (8,791,645)

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. (361,994)

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. (2,822,623)

*Change in Net Position of Governmental Activities* \$3,478,669

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, 2015*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Property Taxes	\$88,216,111	\$90,477,996	\$90,477,996	\$0
Intergovernmental	41,882,669	45,446,577	45,446,577	0
Interest	35,544	78,959	78,959	0
Tuition and Fees	2,908,427	2,039,085	2,039,085	0
Rentals	101,468	92,581	92,581	0
Extracurricular Activities	25,637	287,487	287,487	0
Charges for Services	805,420	987,333	987,333	0
Contributions and Donations	40,436	20,014	20,014	0
Payments in Lieu of Taxes	150,025	121,134	121,134	0
Miscellaneous	777,357	3,439,747	3,439,747	0
<i>Total Revenues</i>	<u>134,943,094</u>	<u>142,990,913</u>	<u>142,990,913</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	65,377,620	67,988,912	67,988,833	79
Special	20,544,181	23,325,930	23,325,930	0
Vocational	4,416,135	4,844,264	4,844,264	0
Adult/Continuing	10,025	10,230	10,230	0
Student Intervention Services	116,860	133,692	133,692	0
Support Services:				
Pupils	10,207,538	10,916,398	10,916,398	0
Instructional Staff	3,322,130	3,931,859	3,931,859	0
Board of Education	731,879	907,662	907,662	0
Administration	9,354,652	10,014,104	10,014,104	0
Fiscal	2,852,322	2,900,269	2,900,269	0
Business	1,664,841	1,372,281	1,372,281	0
Operation and Maintenance of Plant	11,994,916	11,350,753	11,350,753	0
Pupil Transportation	5,657,683	5,882,237	5,882,237	0
Central	3,119,205	3,037,471	3,037,471	0
Operation of Non-Instructional Services	69,353	78,396	78,396	0
Extracurricular Activities	2,040,945	2,099,387	2,099,387	0
Capital Outlay	828,656	776,889	776,889	0
Debt Service:				
Principal Retirement	1,746,383	1,746,383	1,746,383	0
Interest and Fiscal Charges	400,120	400,120	400,120	0
<i>Total Expenditures</i>	<u>144,455,444</u>	<u>151,717,237</u>	<u>151,717,158</u>	<u>79</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(9,512,350)</u>	<u>(8,726,324)</u>	<u>(8,726,245)</u>	<u>79</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	287,510	889,563	889,563	0
Advances In	988,251	732,757	732,757	0
Advances Out	0	(347,000)	(347,000)	0
Transfers Out	(1,000)	(816)	(816)	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,274,761</u>	<u>1,274,504</u>	<u>1,274,504</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(8,237,589)</u>	<u>(7,451,820)</u>	<u>(7,451,741)</u>	<u>79</u>
<i>Fund Balance Beginning of Year</i>	<u>11,480,107</u>	<u>11,480,107</u>	<u>11,480,107</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>2,161,689</u>	<u>2,161,689</u>	<u>2,161,689</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$5,404,207</u></u>	<u><u>\$6,189,976</u></u>	<u><u>\$6,190,055</u></u>	<u><u>\$79</u></u>

See accompanying notes to the basic financial statements

**Parma City School District**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*June 30, 2015*

	<u>Non-Major Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
<b>Assets</b>		
<b><i>Current Assets:</i></b>		
Equity in Pooled Cash and Cash Equivalents	\$3,322,425	\$3,080,899
Accounts Receivable	7,376	0
Inventory Held for Resale	29,330	0
<i>Total Current Assets</i>	<u>3,359,131</u>	<u>3,080,899</u>
<b><i>Noncurrent Assets:</i></b>		
Capital Assets, Net	299,750	0
<i>Total Assets</i>	<u>3,658,881</u>	<u>3,080,899</u>
<b>Deferred Outflows of Resources</b>		
Pension	329,151	0
<b>Liabilities</b>		
<b><i>Current Liabilities:</i></b>		
Accounts Payable	4,908	0
Accrued Wages and Benefits	59,249	0
Intergovernmental Payable	72,158	0
Claims Payable	0	1,519,988
Compensated Absences Payable	67,219	0
Interfund Payable	252,802	0
<i>Total Current Liabilities</i>	<u>456,336</u>	<u>1,519,988</u>
<b><i>Long-Term Liabilities:</i></b>		
Net Pension Liability	3,593,143	0
Compensated Absences Payable	201,247	0
<i>Total Long-Term Liabilities</i>	<u>3,794,390</u>	<u>0</u>
<i>Total Liabilities</i>	<u>4,250,726</u>	<u>1,519,988</u>
<b>Deferred Inflows of Resources</b>		
Pension	591,957	0
<b>Net Position</b>		
Investment in Capital Assets	299,750	0
Unrestricted (Deficit)	(1,154,401)	1,560,911
<i>Total Net Position</i>	<u>(\$854,651)</u>	<u>\$1,560,911</u>

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, 2015*

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
<b>Operating Revenues</b>		
Tuition	\$1,277,721	\$0
Sales	1,667,314	0
Charges for Services	0	17,715,173
Miscellaneous	3,775	0
<i>Total Operating Revenues</i>	<u>2,948,810</u>	<u>17,715,173</u>
<b>Operating Expenses</b>		
Salaries	2,128,708	0
Fringe Benefits	730,029	0
Purchased Services	292,235	2,114,052
Materials and Supplies	169,156	0
Cost of Sales	1,714,914	0
Depreciation	45,168	0
Claims	0	18,423,744
Other	36,457	0
<i>Total Operating Expenses</i>	<u>5,116,667</u>	<u>20,537,796</u>
<i>Operating Income (Loss)</i>	<u>(2,167,857)</u>	<u>(2,822,623)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest	12	0
Federal and State Grants	2,603,121	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>2,603,133</u>	<u>0</u>
<i>Income (Loss) Before Transfers</i>	435,276	(2,822,623)
Transfer In	170,403	0
<i>Change in Net Position</i>	605,679	(2,822,623)
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>(1,460,330)</u>	<u>4,383,534</u>
<i>Net Position End of Year</i>	<u>(\$854,651)</u>	<u>\$1,560,911</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, 2015*

<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u>Non-Major Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$2,937,659	\$0
Cash Received from Interfund Services Provided	0	17,715,173
Cash Received From Other Cash Receipts	3,775	0
Cash Payments to Employees for Services	(2,133,087)	0
Cash Payments for Employee Benefits	(810,685)	0
Cash Payments for Goods and Services	(2,168,057)	(2,114,052)
Cash Payments for Claims	0	(18,307,191)
Cash Payments for Other Items	(36,457)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	(2,206,852)	(2,706,070)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Payments for Capital Acquisitions	(32,159)	0
<b>Cash Flows from Noncapital Financing Activities</b>		
Federal and State Grants	2,603,121	0
<b>Cash Flows from Investing Activities</b>		
Interest on Investments	12	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	364,122	(2,706,070)
<i>Cash and Cash Equivalents Beginning of Year</i>	2,958,303	5,786,969
<i>Cash and Cash Equivalents End of Year</i>	<u>\$3,322,425</u>	<u>\$3,080,899</u>
See accompanying notes to the basic financial statements		(continued)

**Parma City School District**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
*For the Fiscal Year Ended June 30, 2015*

	<u>Non-Major Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>		
Operating Income (Loss)	(\$2,167,857)	(\$2,822,623)
Adjustments:		
Depreciation	45,168	0
(Increase) Decrease in Assets:		
Accounts Receivable	(7,376)	0
Inventory Held for Resale	3,340	0
Increase (Decrease) in Liabilities:		
Accounts Payable	4,908	0
Accrued Wages and Benefits	2,475	0
Compensated Absences Payable	14,622	0
Intergovernmental Payable	(6,854)	0
Net Pension	(95,278)	0
Claims Payable	<u>0</u>	<u>116,553</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>(\$2,206,852)</u></u>	<u><u>(\$2,706,070)</u></u>

See accompanying notes to the basic financial statements

**Parma City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2015*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$91,385
Intergovernmental Receivable	<u>34,313</u>
<i>Total Assets</i>	<u><u>\$125,698</u></u>
<b>Liabilities</b>	
Undistributed Monies	\$18,139
Due to Students	<u>107,559</u>
<i>Total Liabilities</i>	<u><u>\$125,698</u></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, 2015*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and federal agencies. This Board of Education controls the School District's twenty-one 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, 2015*

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

The School District participates in two jointly governed organizations. These organizations are the Northeast Ohio Network for Educational Technology, and the Ohio Schools Council. These organizations are discussed in Note 17 of the basic financial statements.

## **Note 2 – Summary of Significant Accounting Policies**

The financial statements of Parma City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described as follows.

### ***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, 2015*

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***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, 2015*

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***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 9). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 13.

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 until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 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. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 13).

***Pensions***

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

***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.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***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, 2015, investments were limited to federal home loan mortgage corporation bonds, federal national mortgage association bonds, and 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, 2015.

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 2015 amounted to \$78,504 which includes \$26,013 assigned from other School District funds.

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

***Inventory***

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

***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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.

***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.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability 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 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.

***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:

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***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 includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education 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 2016’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.

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type occurred during 2015.

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***Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer/Chief Financial Officer has been given the authority to allocate Board appropriations to the function and object levels.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources 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.

**Note 3 – Change in Accounting Principle and Restatement of Net Position**

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

	Governmental	Business-Type Activities/Non-Major Enterprise Funds	Total
Net Position June 30, 2014	\$61,145,083	\$2,490,897	\$63,635,980
Adjustments:			
Net Pensions Liability	(219,346,113)	(4,228,251)	(223,574,364)
Deferred Outflow - Payments Subsequent to Measurement Date	10,844,067	277,024	11,121,091
Restated Net Position July 1, 2014	(\$147,356,963)	(\$1,460,330)	(\$148,817,293)

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Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**Note 4 – Accountability**

Fund balances at June 30, 2015, included the following individual fund deficits:

<u>Fund</u>	<u>Amount</u>
<b><i>Special Revenue Funds:</i></b>	
Miscellaneous State Grants	\$10,740
Adult Basic Education	24,390
Race to the Top	1,641
Title VI-B	409,057
Vocational Education	44,266
Limited English Proficiency	1,110
Title I	292,253
Preschool Grant	1,006
Title VI-R	51,364

The special revenue funds' deficits are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

**Note 5 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances – budget (non-GAAP basis) and actual 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. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for GAAP Reporting.
5. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed or assigned fund balance.

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$2,522,796)
Net Adjustment for Revenue Accruals	(13,738,128)
Advance In	732,757
Net Adjustment for Expenditure Accruals	9,694,396
Ending Fair Value Adjustments for Investments	(3,559)
Perspective Differences:	
Public School Support	(22,306)
Advances Out	(347,000)
Adjustment for Encumbrances	(1,245,105)
Budget Basis	<u><u>(\$7,451,741)</u></u>

**Note 6 – Deposits and Investments**

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

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

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;

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$949,914 of the School District's bank balance of \$10,152,628 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, 2015, the School District had the following investments:

	Fair Value	Maturity	Percentage of Total Investments
Federal Home Loan Mortgage Corporation Bonds	\$1,498,405	Less than two years	16.68%
Federal Home Loan Mortgage Corporation Bonds	500,060	More than two years	5.57
Federal National Mortgage Association Bonds	1,247,815	Less than two years	13.89
Federal National Mortgage Association Bonds	999,973	More than two years	11.13
STAR Ohio	4,736,584	Average 53.4 Days	52.73
	<u>\$8,982,837</u>		

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**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** The federal home loan mortgage corporation bonds and federal national mortgage association bonds carry a rating of AAA by Standard & Poor's. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no policy regarding credit risk other than statutory guidelines which limit investment choices.

**Note 7 – 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 as follows:

Fund Balances	General	Nonmajor Governmental Funds	Total
<b><i>Nonspendable:</i></b>			
Inventory	\$203,089	\$0	\$203,089
Unclaimed Funds	23,981	0	23,981
<b><i>Total Nonspendable</i></b>	<b><u>227,070</u></b>	<b><u>0</u></b>	<b><u>227,070</u></b>
<b><i>Restricted for:</i></b>			
Social Services Resources and Support	0	34,227	34,227
Student Learning Improvement	0	1,925	1,925
District Managed Student Activities	0	646,934	646,934
Non-Public Schools	0	250,840	250,840
Federal Refugee Children	0	88	88
Improving Teaching Methods	0	928	928
Turf Replacement	0	43,873	43,873
Capital Improvements	0	3,884,383	3,884,383
<b><i>Total Restricted</i></b>	<b><u>0</u></b>	<b><u>4,863,198</u></b>	<b><u>4,863,198</u></b>
<b><i>Assigned to:</i></b>			
Instructional Services	452,027	0	452,027
Purchases on Order:			
Instruction	623,628	0	623,628
Support Services	321,685	0	321,685
Operation of Non-Instructional Services	100	0	100
Extracurricular Activities	6,003	0	6,003
Fiscal Year 2016 Appropriations	6,555,666	0	6,555,666
<b><i>Total Assigned</i></b>	<b><u>7,959,109</u></b>	<b><u>0</u></b>	<b><u>7,959,109</u></b>
<b><i>Unassigned (Deficit)</i></b>	<b><u>11,408,330</u></b>	<b><u>(835,827)</u></b>	<b><u>10,572,503</u></b>
<b><i>Total Fund Balances</i></b>	<b><u>\$19,594,509</u></b>	<b><u>\$4,027,371</u></b>	<b><u>\$23,621,880</u></b>

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**Note 8 – 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:

<i><b>Governmental Funds:</b></i>		<i><b>Proprietary Funds:</b></i>	
General	\$1,245,105	Food Service	\$42,332
Other Governmental Funds	1,131,973	Adult Education	0
Total	\$2,377,078	Extended Daycare	196,006
		Total	\$238,338

**Note 9 – Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 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, 2015, are available to finance fiscal year 2015 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, 2015 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.

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The amount available as an advance at June 30, 2015, was \$23,750,406 in the general fund and \$1,351,727 in the permanent improvement capital projects fund. 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.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,975,967,250	97.86 %	\$1,974,222,190	97.66 %
Public Utility	43,287,400	2.14	47,205,270	2.34
	<u>\$2,019,254,650</u>	<u>100.00 %</u>	<u>\$2,021,427,460</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$75.70		\$75.51	

**Note 10 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$5,096,730	\$0	\$0	\$5,096,730
<i>Capital Assets, being depreciated:</i>				
Land Improvements	14,573,703	878,139	0	15,451,842
Buildings and Improvements	93,674,005	393,432	0	94,067,437
Furniture and Equipment	16,816,658	9,967,383	(144,422)	26,639,619
Vehicles	8,154,421	624,795	(483,198)	8,296,018
<i>Total Capital Assets, being depreciated</i>	<u>133,218,787</u>	<u>11,863,749</u>	<u>(627,620)</u>	<u>144,454,916</u>
Less Accumulated Depreciation:				
Land Improvements	(7,066,768)	(563,411)	0	(7,630,179)
Buildings and Improvements	(58,091,430)	(1,636,327)	0	(59,727,757)
Furniture and Equipment	(13,394,662)	(4,302,606)	132,616	(17,564,652)
Vehicles	(5,913,520)	(499,924)	483,198	(5,930,246)
Total Accumulated Depreciation	<u>(84,466,380)</u>	<u>(7,002,268)*</u>	<u>615,814</u>	<u>(90,852,834)</u>
Total Capital Assets, being depreciated, net	<u>48,752,407</u>	<u>4,861,481</u>	<u>(11,806)</u>	<u>53,602,082</u>
Governmental Activities Capital Assets, Net	<u>\$53,849,137</u>	<u>\$4,861,481</u>	<u>(\$11,806)</u>	<u>\$58,698,812</u>

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

Instruction:	
Regular	\$4,760,994
Special	16,537
Vocational	54,737
Adult/Continuing	1,046
Support Services:	
Pupils	62,929
Instructional Staff	17,851
Board of Education	616
Administration	37,236
Fiscal	7,109
Business	112,158
Operation and Maintenance of Plant	830,193
Pupil Transportation	476,147
Central	528,651
Operation of Non-Instructional Services	47,247
Extracurricular Activities	48,817
Total Depreciation Expense	\$7,002,268

	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
<b>Business-Type Activities</b>				
Buildings and Improvements	\$7,638	\$0	\$0	\$7,638
Furniture and Equipment	1,806,349	11,866	(1,954)	1,816,261
Vehicles	23,132	20,293	(23,132)	20,293
Totals at Historical Cost	1,837,119	32,159	(25,086)	1,844,192
Less Accumulated Depreciation:				
Buildings and Improvements	(2,714)	(196)	0	(2,910)
Furniture and Equipment	(1,500,828)	(43,957)	1,954	(1,542,831)
Vehicles	(20,818)	(1,015)	23,132	1,299
Total Accumulated Depreciation	(1,524,360)	(45,168) *	25,086	(1,544,442)
Business-Type Activities Capital Asset, Net	\$312,759	(\$13,009)	\$0	\$299,750

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

Food Service	\$35,089
Adult Education	1,262
Extended Daycare/Preschool	8,817
Total Depreciation Expense	\$45,168

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**Note 11 – Risk Management**

***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. At June 30, 2015, 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 \$200,000 per covered person, per year, and a calculated aggregate maximum for the 2015 plan year of \$1,000,000.

The claims liability of \$1,519,988 reported in the internal service fund at June 30, 2015, 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 2014 and 2015 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2014	\$1,678,268	\$15,954,055	\$16,228,888	\$1,403,435
2015	1,403,435	18,423,744	18,307,191	1,519,988

***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.

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**Note 12 – Receivables**

Receivables at June 30, 2015, 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
Title I	\$479,651
Special Education, Part B-IDEA	426,146
21st Century	159,174
ABLE Instructional	130,071
Carl Perkins	100,450
Title III	39,302
Title II-A	34,693
Miscellaneous	24,474
EL/Civics	18,687
Early Childhood Special Education	12,714
Straight A Grant	7,123
Homeless Assistance Program	6,304
Parent Mentor Project	4,707
Neglected, Title I	2,524
Alternative Education	905
Total Governmental Activities	\$1,446,925

**Note 13 – Defined Benefit Pension Plans**

***Net Pension Liability***

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

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

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

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

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

***Plan Description – School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

Benefit	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
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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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$2,862,933 for fiscal year 2015. Of this amount \$114,192 is reported as an intergovernmental payable.

***Plan Description – State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
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New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$9,470,016 for fiscal year 2015. Of this amount \$1,263,619 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$33,446,001	\$154,697,663	\$188,143,664
Proportion of the Net Pension Liability	0.66086500%	0.63600186%	
Pension Expense	\$1,959,437	\$6,005,025	\$7,964,462

**Parma City School District**  
*Notes to the Basic Financial Statements*  
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At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$284,661	\$1,489,301	\$1,773,962
School District contributions subsequent to the measurement date	2,862,933	9,470,016	12,332,949
<b>Total Deferred Outflows of Resources</b>	<b>\$3,147,594</b>	<b>\$10,959,317</b>	<b>\$14,106,911</b>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$5,428,380	\$28,619,654	\$34,048,034

\$12,332,949 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$1,285,211)	(\$6,782,588)	(\$8,067,799)
2017	(1,285,211)	(6,782,588)	(8,067,799)
2018	(1,285,211)	(6,782,588)	(8,067,799)
2019	(1,288,086)	(6,782,589)	(8,070,675)
<b>Total</b>	<b>(\$5,143,719)</b>	<b>(\$27,130,353)</b>	<b>(\$32,274,072)</b>

***Actuarial Assumptions – SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented as follows:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
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***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$47,717,504	\$33,446,001	\$21,442,434

***Actuarial Assumptions – STRS***

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – cale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

**Parma City School District**  
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**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$221,466,571	\$154,697,663	\$98,233,635

**Note 14 – Postemployment Benefits**

***School Employees Retirement System***

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
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Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District’s surcharge obligation was \$372,705.

The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$178,206, \$355,292, and \$422,144, respectively. For fiscal year 2015, 96 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

***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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://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. 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 2015, STRS did not allocate any employer contributions to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$657,729, and \$661,818, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**Note 15 – Other Employee Benefits**

***Compensated Absences***

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

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

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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 in the following table, to a maximum of 134 days:

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

***Insurance Benefits***

The School District provides life insurance and accidental death and dismemberment insurance through MetLife Life. Certified employees working two and one-half hours or more per day and administrators receive \$50,000 term life and accidental death and dismemberment coverage. Classified employees who work four to six hours per day receive \$20,000 coverage, and those who work six hours or more per day receive \$30,000 coverage for term life insurance and accidental death and dismemberment. The Superintendent receives \$300,000 term life and the Treasurer receives \$100,000 term life and accidental death and dismemberment coverage.

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

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**Note 16 – Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
2006 Construction Note	3.00 %	\$11,000,000	December 1, 2015
2002 Energy Conservation Loan (Phase IV)	3.00-4.75	2,240,000	December 28, 2016
2003 Energy Conservation Loan (Phase V)	4.60	6,817,000	June 28, 2017
2004 Energy Conservation Loan (Phase VI)	4.39	5,477,606	April 23, 2019
2005 Energy Conservation Loan (Phase VII)	4.49	2,500,000	February 18, 2020
2006 Energy Conservation Loan (Phases VIII & IX)	4.35	3,458,570	May 31, 2021
2008 Energy Conservation Loan (Phase X)	4.29	2,511,519	July 30, 2022
2006 Certificates of Participation	4.00	12,580,000	December 1, 2017

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

	Principal Outstanding 7/1/2014	Additions	(Reductions)	Principal Outstanding 6/30/2015	Amount Due in One Year
<b>Governmental Activities:</b>					
2006 Construction Note	\$2,550,000	\$0	(\$1,250,000)	\$1,300,000	\$1,300,000
Unamortized Premium on Construction Note	32,066	0	(16,033)	16,033	0
2002 Energy Conservation Loan (Phase IV)	604,000	0	(192,000)	412,000	201,000
2003 Energy Conservation Loan (Phase V)	1,785,000	0	(569,000)	1,216,000	594,000
2004 Energy Conservation Loan (Phase VI)	2,233,409	0	(408,753)	1,824,656	426,894
2005 Energy Conservation Loan (Phase VII)	1,202,440	0	(178,836)	1,023,604	186,955
2006 Energy Conservation Loan (Phase VIII & IX)	1,891,418	0	(236,600)	1,654,818	247,003
2008 Energy Conservation Loan (Phase X)	1,615,168	0	(161,194)	1,453,974	168,184
2006 Certificates of Participation	9,465,000	0	(2,060,000)	7,405,000	2,145,000
Unamortized Discount on Certificates of Participation	(33,605)	0	8,401	(25,204)	0
Net Pension Liability:					
SERS	35,531,956	0	(5,292,354)	30,239,602	0
STRS	183,814,157	0	(29,503,238)	154,310,919	0
Capital Leases	2,033,378	8,791,645	(3,722,964)	7,102,059	3,689,922
Compensated Absences	7,709,010	997,902	(635,908)	8,071,004	198,654
<b>Total Governmental Activities</b>	<b>\$250,433,397</b>	<b>\$9,789,547</b>	<b>(\$44,218,479)</b>	<b>\$216,004,465</b>	<b>\$9,157,612</b>
<b>Business-Type Activities:</b>					
Compensated Absences	\$253,844	\$60,552	(\$45,930)	\$268,466	\$67,219
Net Pension Liability:					
SERS	3,767,564	0	(561,165)	3,206,399	0
STRS	460,687	0	(73,943)	386,744	0
<b>Total Business-Type Activities</b>	<b>\$4,482,095</b>	<b>\$60,552</b>	<b>(\$681,038)</b>	<b>\$3,861,609</b>	<b>\$67,219</b>

**Parma City School District**  
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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 energy conservation loans will be paid from the general fund. The certificates of participation will be paid from the permanent improvement fund. Capital leases will be paid from the general fund. Compensated absences will be paid from the general fund, auxiliary services, state grants, education jobs, title VI-B, title I, preschool, and title VI-R special revenue funds, and the food service, adult education, and extended daycare/preschool enterprise funds. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$181,928,471 with an unvoted debt margin of \$2,021,427 at June 30, 2015. Principal and interest requirements to retire the debt outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30,	Construction Notes		Energy Conservation Loans	
	Principal	Interest	Principal	Interest
2016	\$1,300,000	\$29,250	\$1,824,036	\$319,930
2017	0	0	1,907,625	237,065
2018	0	0	1,122,234	156,073
2019	0	0	1,171,955	106,354
2020	0	0	715,999	59,947
2021-2023	0	0	843,203	45,067
<b>Total</b>	<b>\$1,300,000</b>	<b>\$29,250</b>	<b>\$7,585,052</b>	<b>\$924,436</b>

Fiscal Year Ending June 30,	Certificates of Participation		Total	
	Principal	Interest	Principal	Interest
2016	\$2,145,000	\$253,300	\$5,269,036	\$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	1,171,955	106,354
2020	0	0	715,999	59,947
2021-2023	0	0	843,203	45,067
<b>Total</b>	<b>\$7,405,000</b>	<b>\$425,500</b>	<b>\$16,290,052</b>	<b>\$1,379,186</b>

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 17 – Jointly Governed Organizations**

***Northeast Ohio Network for Educational Technology***

The Northeast Ohio Network for Educational Technology (NEOnet) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEOnet is a jointly governed organization among twenty-seven school districts and the Summit County Educational Service Center. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Board of Directors consists of member district superintendents and treasurers. The manager/director is a permanent, non-voting member of the board of directors. Each school district's control is limited to its representation on the board. The Board of Directors exercise total control over the operations of the association including budgeting, appropriating, contracting and designating management. All association revenues are generated from charges for services and State funding. The 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. In fiscal year 2015, the School District paid \$316,288 to NEOnet. Financial information can be obtained by writing to the Summit County Educational Service Center, 700 Graham Road, Cuyahoga Falls, Ohio 44221.

***Ohio Schools Council***

The Ohio Schools Council (Council) is a jointly governed organization among 200 members. 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 2015, the School District paid \$6,588 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 Council's natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy has been selected as the supplier and program manager for the period from October 1, 2010 through March 31, 2016. There are currently 151 participants in the program, including the Parma City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 18 – Contingencies**

***Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

***School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

***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, 2015*

**Note 19 – Interfund Transactions**

***Interfund Balances***

Interfund balances at June 30, 2015, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable General Fund
<b><i>Other Governmental Funds:</i></b>	
Straight A Fund	\$9,000
Miscellaneous State Grants	5,000
Adult Basic Education	98,000
Title VI-B	75,012
Vocational Education	121,297
Limited English Proficiency	8,000
Title I	45,000
Title VI-R	45,790
Permanent Improvement	150,000
Total Other Governmental Funds	557,099
<b><i>Business-Type Activity:</i></b>	
Adult Education	252,802
Total	\$809,901

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 fund 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.

***Interfund Transfers***

During fiscal year 2015, the general fund transferred \$816 to the title II technology special revenue fund to move unrestricted balances to support programs and projects accounted for in this fund. The general fund also transferred \$170,403 to the extended day care enterprise fund to eliminate an outstanding interfund liability management deemed to be uncollectable.

**Note 20 – Set-Asides**

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

**Parma City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

	Capital Improvement
Set-aside Balance as of June 30, 2014	\$0
Current Year Set-aside Requirement	1,885,762
Offsets During the Fiscal Year	(5,056,762)
Qualifying Disbursements	(2,892,472)
Totals	(\$6,063,472)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2015	\$0

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

**Note 21 – Capital Leases**

During fiscal year 2015, the School District entered into new equipment leases with Apple. 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	\$13,593,916
Less: Accumulated Depreciation:	(6,526,660)
<i>Total Capital Assets, being depreciated, net</i>	<i>\$7,067,256</i>

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

	Governmental Activities
2016	\$3,780,218
2017	3,267,280
2018	146,967
2019	46,236
Total Minimum Lease Payments	7,240,701
Less: Amounts Representing Interest	(138,642)
Present Value of Minimum Lease Payments	\$7,102,059

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**Required Supplementary Information**

**Parma City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Two Fiscal Years (1)*

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.66086500%	0.66086500%
School District's Proportionate Share of the Net Pension Liability	\$33,446,001	\$39,299,520
School District's Covered-Employee Payroll	\$19,258,564	\$16,926,033
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	173.67%	232.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Parma City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Fiscal Years (1)*

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.63600186%	0.63600186%
School District's Proportionate Share of the Net Pension Liability	\$154,697,663	\$184,274,844
School District's Covered-Employee Payroll	\$65,014,262	\$68,404,123
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	237.94%	269.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Parma City School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2015	2014	2013	2012
Contractually required contribution	\$2,862,933	\$2,669,237	\$2,342,563	\$2,369,836
Contributions in relation to the contractually required contribution	(2,862,933)	(2,669,237)	(2,342,563)	(2,369,836)
Contribution deficiency (excess)	0	0	0	0
School District covered-employee payroll	\$21,721,798	\$19,258,564	\$16,926,033	\$17,619,599
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
\$2,135,676	\$2,433,157	\$1,827,084	\$1,876,640	\$1,926,593	\$1,762,464
(2,135,676)	(2,433,157)	(1,827,084)	(1,876,640)	(1,926,593)	(1,762,464)
0	0	0	0	0	0
\$16,990,263	\$17,970,140	\$18,567,927	\$19,110,387	\$18,039,260	\$16,658,450
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**Parma City School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$9,470,016	\$8,451,854	\$8,892,536	\$8,502,352
Contributions in relation to the contractually required contribution	<u>(9,470,016)</u>	<u>(8,451,854)</u>	<u>(8,892,536)</u>	<u>(8,502,352)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
School District covered-employee payroll	\$67,642,971	\$65,014,262	\$68,404,123	\$65,402,708
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$8,151,808	\$8,515,805	\$8,799,913	\$8,592,035	\$8,244,660	\$8,251,789
<u>(8,151,808)</u>	<u>(8,515,805)</u>	<u>(8,799,913)</u>	<u>(8,592,035)</u>	<u>(8,244,660)</u>	<u>(8,251,789)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
\$62,706,215	\$65,506,192	\$67,691,638	\$66,092,577	\$63,420,462	\$63,475,300
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**PARMA CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANTOR/ Pass Through Grantor Program Title</u>	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$326,213	\$326,213
Cash Assistance:			
Summer Food Service Program for Children	10.559	9,444	9,444
School Breakfast Program	10.553	416,232	416,232
National School Lunch Program	10.555	2,123,949	2,123,949
Total Cash Assistance		<u>2,549,625</u>	<u>2,549,625</u>
Total Child Nutrition Cluster		<u>2,875,838</u>	<u>2,875,838</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b><u>2,875,838</u></b>	<b><u>2,875,838</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	563,465	318,227
		<u>2,744,698</u>	<u>2,743,105</u>
Total Special Education - Grants to States		3,308,163	3,061,332
Special Education - Preschool Grants	84.173	25,848	10,937
		<u>106,641</u>	<u>90,244</u>
Total Special Education - Preschool Grants		<u>132,489</u>	<u>101,181</u>
Total Special Education Cluster		<u>3,440,652</u>	<u>3,162,513</u>
Title I Grants to Local Educational Agencies	84.010	531,263	377,031
		<u>2,146,241</u>	<u>2,177,198</u>
Total Title I Grants to Local Educational Agencies		<u>2,677,504</u>	<u>2,554,229</u>
Education of Homeless Children and Youth	84.196	2,495	1,167
		<u>41,096</u>	<u>41,042</u>
Total Education of Homeless Children		43,591	42,209
Career and Technical Education – Basic Grants to States (Perkins IV)	84.048	18,896	(18,753)
		<u>89,661</u>	<u>112,604</u>
Total Career and Technical Education – Basic Grants to States (Perkins IV)		<u>108,557</u>	<u>93,851</u>
Twenty-First Century Community Learning Centers	84.287	51,434	7,719
		<u>440,826</u>	<u>443,980</u>
Total Twenty-First Century Community Learning Centers		<u>492,260</u>	<u>451,699</u>
Improving Teacher Quality State Grants	84.367	45,368	33,919
		<u>287,820</u>	<u>283,471</u>
Total Improving Teacher Quality State Grants		<u>333,188</u>	<u>317,390</u>
English Language Acquisition Grant	84.365	3,478	112
		<u>18,987</u>	<u>21,771</u>
Total English Language Acquisition Grant		<u>22,465</u>	<u>21,883</u>

PARMA CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015  
(CONTINUED)**

<u>FEDERAL GRANTOR/ Pass Through Grantor Program Title</u>	Federal CFDA Number	Receipts	Expenditures
Adult Education - State Grant Program	84.002	\$60,206	\$11,943
		<u>709,344</u>	<u>800,911</u>
Total Adult Education - State Grant Program		769,550	812,854
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	127,192	83,617
<i>Passed Through Battelle for Kids</i>			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	-	1,769
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act		<u>127,192</u>	<u>85,386</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b><u>8,014,959</u></b>	<b><u>7,542,014</u></b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Refugee Impact and Entrant Assistance	93.576	<u>6,826</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<b><u>6,826</u></b>	<b><u>-</u></b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b><u>\$10,897,623</u></b>	<b><u>\$10,417,852</u></b>

*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, 2015**

**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.

**NOTE D- NEGATIVE EXPENDITURES**

The Ohio Department of Education (ODE) disallowed certain expenditures for the Career and Technical Education- Basic Grants to States (CFDA #84.048), resulting in the District reallocating expenditures to another funding source and repayment to ODE for the 2014 grant year. The result is a negative expense of \$18,753 being reported on this Schedule.

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# 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2016, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

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

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

February 19, 2016



# 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, 2015. 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, Cuyahoga County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

***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 over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



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

February 19, 2016

**PARMA CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<ul style="list-style-type: none"> <li>➤ Child Nutrition Cluster, CFDA 10.555, 10.559, and 10.553;</li> <li>➤ Improving Teacher Quality State Grants, CFDA 84.367;</li> <li>➤ Twenty-First Century Community Learning Centers, CFDA 84.287.</li> </ul>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$312,536 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

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

None

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# 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, 2016**