



Rea & associates *a brighter way*

Parma City School District Cuyahoga County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Education
Parma City School District
5311 Longwood Avenue
Parma, OH 44134

We have reviewed the *Independent Auditor's Report* of Parma City School District, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 15, 2020

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Cuyahoga County, Ohio
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December 20, 2019

To the Board of Education
Parma City School District
Cuyahoga County, Ohio
5311 Longwood Avenue
Parma, OH 44134

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Parma City School District, Cuyahoga County, Ohio, (the "School District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Parma City School District, Cuyahoga County, Ohio, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the School District's Proportionate Share of the Net Pension Liability – School Employees Retirement System, Schedule of the School District's Proportionate Share of the Net OPEB Liability – School Employees Retirement System, Schedule of the School District's Proportionate Share of the Net Pension Liability – State Teachers Retirement System, Schedule of the School District's Proportionate Share of the Net OPEB Liability(Asset) – State Teachers Retirement System, Schedule of School District Contributions – School Employees Retirement System, and Schedule of School District Contributions – State Teachers Retirement System* as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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 School District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Mentor, Ohio

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Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The discussion and analysis of Parma City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- Total net position of governmental and business-type activities increased by \$30,295,030 and \$79,477, respectively, compared to fiscal year 2018. This increase was primarily the result of an increase in the net OPEB asset and decreases in the net pension liability and the net OPEB liability resulting from changes in assumptions and benefit terms.

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. In the case of Parma City School District, the general fund and the permanent improvement capital projects fund are the most significant funds.

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 fiscal year 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources (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.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

In the statement of net position and the statement of activities, the School District is divided into two major activities:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for its financial transactions; however, these fund financial statements concentrate on the School District's most significant funds. The School District's major governmental funds are the general fund and the permanent improvement capital projects fund.

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

Proprietary Funds The Parma City School District maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The School District uses enterprise funds to account for its food service operations, adult continuing education operations and extended daycare/preschool operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District maintains such a fund for its self-insurance program of health related employee benefits. Because this predominantly benefits governmental rather than business functions, it has been included within governmental activities in the government-wide financial statements.

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

Parma City School District
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Unaudited

The School District as a Whole

The statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2019 compared to fiscal year 2018:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	\$137,751,335	\$127,052,284	\$3,264,555	\$3,202,394	\$141,015,890	\$130,254,678
Net OPEB Asset	9,247,475	0	18,531	0	9,266,006	0
Capital Assets, Net of Depreciation	48,206,070	50,971,559	230,159	267,457	48,436,229	51,239,016
Total Assets	195,204,880	178,023,843	3,513,245	3,469,851	198,718,125	181,493,694
Deferred Outflows of Resources						
Pension	40,449,036	55,357,352	875,950	1,130,199	41,137,766	56,194,395
OPEB	1,817,433	1,794,898	129,165	125,094	1,877,195	1,824,768
Total Deferred Outflows of Resources	42,266,469	57,152,250	1,005,115	1,255,293	43,014,961	58,019,163
Liabilities						
Current and Other Liabilities	22,719,525	22,501,025	116,284	87,273	22,835,809	22,588,298
Long-Term Liabilities:						
Due Within One Year	1,725,298	2,325,443	12,753	13,655	1,738,051	2,339,098
Due in More than One Year:						
Net Pension Liability	159,759,277	181,028,585	3,653,176	4,038,412	163,412,453	185,066,997
Net OPEB Liability	16,291,274	40,674,282	1,667,040	1,715,402	17,958,314	42,389,684
Other Amounts	8,985,837	9,216,894	358,185	343,595	9,344,022	9,560,489
Total Liabilities	209,481,211	255,746,229	5,807,438	6,198,337	215,288,649	261,944,566
Deferred Inflows of Resources						
Property Taxes	80,340,790	80,660,159	0	0	80,340,790	80,660,159
Pension	23,911,365	18,068,327	610,328	588,139	24,334,473	18,363,310
OPEB	20,233,152	7,491,577	296,741	214,292	20,460,490	7,610,645
Total Deferred Inflows of Resources	124,485,307	106,220,063	907,069	802,431	125,135,753	106,634,114
Net Position						
Net Investment in Capital Assets	39,041,623	43,896,155	230,159	267,457	39,271,782	44,163,612
Restricted for:						
Capital Projects	5,147,939	3,643,847	0	0	5,147,939	3,643,847
Other Purposes	1,663,068	1,400,195	0	0	1,663,068	1,400,195
Unrestricted	(142,347,799)	(175,730,396)	(2,426,306)	(2,543,081)	(144,774,105)	(178,273,477)
Total Net Position	(\$96,495,169)	(\$126,790,199)	(\$2,196,147)	(\$2,275,624)	(\$98,691,316)	(\$129,065,823)

Parma City School District
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The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019. GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 or the net OPEB liability. As explained previously, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Total assets of governmental activities increased. There was an increase in cash and cash equivalents and the net OPEB asset. The increase in cash and cash equivalents was due to an increase in property tax revenues. Property tax revenues increased due to increased assessed valuations and the amount available as an advance from the County. The increase in assessed valuations was due to a reappraisal that occurs every six years in the County.

Total liabilities for governmental activities decreased. This decrease was the result of decreases in the net pension liability and the net OPEB liability resulting from changes in assumptions and benefit terms.

Table 2 shows the changes in net position for fiscal years 2019 and 2018 for both governmental and business-type activities.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services and Sales	\$4,267,776	\$5,087,714	\$2,756,314	\$2,854,089	\$7,024,090	\$7,941,803
Operating Grants and Contributions	16,910,070	15,777,445	3,054,368	2,896,513	19,964,438	18,673,958
Capital Grants and Contributions	1,275,041	810,191	0	0	1,275,041	810,191
<i>Total Program Revenues</i>	<u>\$22,452,887</u>	<u>\$21,675,350</u>	<u>\$5,810,682</u>	<u>\$5,750,602</u>	<u>\$28,263,569</u>	<u>\$27,425,952</u>

(continued)

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Management's Discussion and Analysis
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Table 2
Change in Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
General Revenues:						
Property Taxes	\$101,509,562	\$92,453,638	\$0	\$0	\$101,509,562	\$92,453,638
Grants and Entitlements	44,628,511	43,876,711	0	0	44,628,511	43,876,711
Investment Earnings	1,007,254	403,299	0	0	1,007,254	403,299
Payment in Lieu of Taxes	75,111	298,050	0	0	75,111	298,050
Unrestricted Contributions and Donations	21,945	25,454	0	0	21,945	25,454
Gain on Sale of Capital Assets	257,839	0	0	669	257,839	669
Miscellaneous	1,105,911	1,052,132	14,593	70,730	1,120,504	1,122,862
<i>Total General Revenues</i>	<u>148,606,133</u>	<u>138,109,284</u>	<u>14,593</u>	<u>71,399</u>	<u>148,620,726</u>	<u>138,180,683</u>
Total Revenues	<u>171,059,020</u>	<u>159,784,634</u>	<u>5,825,275</u>	<u>5,822,001</u>	<u>176,884,295</u>	<u>165,606,635</u>
Program Expenses						
Instruction	86,594,225	45,503,188	0	0	86,594,225	45,503,188
Support Services:						
Pupils and Instructional Staff	12,980,330	7,722,857	0	0	12,980,330	7,722,857
Board of Education, Administration, Fiscal, and Business	11,600,403	4,477,985	0	0	11,600,403	4,477,985
Operation and Maintenance of Plant	11,038,615	11,381,223	0	0	11,038,615	11,381,223
Pupil Transportation	9,399,463	5,755,103	0	0	9,399,463	5,755,103
Central	2,195,361	1,388,042	0	0	2,195,361	1,388,042
Operation of Non-Instructional Services	3,983,250	3,886,034	0	0	3,983,250	3,886,034
Extracurricular Activities	2,651,327	1,664,107	0	0	2,651,327	1,664,107
Interest and Fiscal Charges	321,016	436,464	0	0	321,016	436,464
Enterprise Operations	0	0	5,745,798	5,404,882	5,745,798	5,404,882
Total Program Expenses	<u>140,763,990</u>	<u>82,215,003</u>	<u>5,745,798</u>	<u>5,404,882</u>	<u>146,509,788</u>	<u>87,619,885</u>
Change in Net Position	30,295,030	77,569,631	79,477	417,119	30,374,507	77,986,750
Net Position Beginning of Year	<u>(126,790,199)</u>	<u>(204,359,830)</u>	<u>(2,275,624)</u>	<u>(2,692,743)</u>	<u>(129,065,823)</u>	<u>(207,052,573)</u>
Net Position End of Year	<u>(\$96,495,169)</u>	<u>(\$126,790,199)</u>	<u>(\$2,196,147)</u>	<u>(\$2,275,624)</u>	<u>(\$98,691,316)</u>	<u>(\$129,065,823)</u>

The largest component of the increase in program expenses results from changes in assumptions and benefit terms related to pensions in the prior year. For the prior year, STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA), and SERS also decreased their COLA assumptions. As a result of these changes, pension expense decreased from \$23,002,924 in fiscal year 2017 to a negative pension expense of (\$58,720,325) for fiscal year 2018. For fiscal year 2019, pension expense increased to \$11,178,614, closer to the 2017 pension expense amount.

Governmental Activities

Total governmental activities net position increased, which was a result of increased property taxes due to increased assessed valuations and the amount available as advance from the County.

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 majority of revenue generated by a voted tax levy does not increase as a result of inflation, unless it is an emergency levy. As an example, a

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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.

The 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 half of revenues for governmental activities for the School District in fiscal year 2019.

The majority of the School District's expenses are for instruction. Additional support services for pupils and instructional staff; board of education, administration, fiscal and business; operation and maintenance of plant and pupil transportation are the next largest areas of expenses. The remaining amount of program expenses are to facilitate other obligations of the School District, such as support services for central, operation of non-instructional services, extracurricular activities, and interest and fiscal charges. Interest expense was attributable to the outstanding energy conservation loans, capital leases, and notes.

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

Table 3
 Governmental Activities

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Instruction	\$86,594,225	\$73,363,567	\$45,503,188	\$31,630,072
Support Services:				
Pupils and Instructional Staff	12,980,330	11,849,781	7,722,857	6,670,588
Board of Education, Administration, Fiscal and Business	11,600,403	10,474,703	4,477,985	3,422,299
Operation and Maintenance of Plant	11,038,615	10,751,235	11,381,223	11,035,843
Pupil Transportation	9,399,463	8,185,453	5,755,103	5,229,968
Central	2,195,361	2,145,741	1,388,042	1,323,789
Operation of Non-Instructional Services	3,983,250	(51,098)	3,886,034	(22,406)
Extracurricular Activities	2,651,327	1,270,705	1,664,107	813,036
Interest and Fiscal Charges	321,016	321,016	436,464	436,464
Total	<u>\$140,763,990</u>	<u>\$118,311,103</u>	<u>\$82,215,003</u>	<u>\$60,539,653</u>

Business-Type Activities

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

Overall, net position increased slightly in fiscal year 2019. Business-type activities' cash positions have allowed individual business-type activities to absorb additional program expenses over the last several years.

Parma City School District
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For the Fiscal Year Ended June 30, 2019
Unaudited

The School District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. The general fund saw an increase in fund balance for the fiscal year. This increase was primarily due to an increase in property tax revenues. The permanent improvement capital projects fund saw a decrease in fund balance for the fiscal year. The fund balance decreased due to an increase in expenditures, offset by an increase in property tax revenues.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, the final budget basis of estimated revenues increased from the original budget basis of estimated revenues due to conservative original estimates of property taxes, intergovernmental, and interest revenues.

During the course of fiscal year 2019, the School District amended its general fund budget several times. Final appropriations for the general fund decreased from the original appropriations mostly due to decreased regular instruction, administration, fiscal, and operation and maintenance of plant expenses.

Capital Assets and Debt Administration

Capital Assets

During fiscal year 2019, annual depreciation and deletions outpaced purchased assets, such as busses, computers, and furniture.

For fiscal year 2019, an Ohio law required school districts to set aside three percent of certain revenues for capital improvements which amounted to \$1,792,876. The School District had offsets exceeding these requirements. See Note 11 to the basic financial statements for additional information on capital assets and Note 17 for additional information on set-asides.

Debt Administration

At June 30, 2019, the School District had \$1,559,202 and \$7,475,000 in loans and notes outstanding, respectively. The debt will be serviced with tax revenue from the March 2000 2.0 mill permanent improvement levy and the May 2005 1.0 mill permanent improvement levy.

In fiscal year 2004, the School District borrowed \$12,294,606 for two HB 264 energy conservation projects. One loan was paid off in fiscal year 2017 and the other loan was paid off in fiscal year 2019.

In fiscal year 2005, the School District borrowed \$2,500,000 for a HB 264 energy conservation project. The loan will be paid off in fiscal year 2020.

In fiscal year 2006, the School District borrowed \$3,458,570 for two HB 264 energy conservation projects. The loan will be paid off in fiscal year 2021.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

In fiscal year 2008, the School District borrowed \$2,511,519 for a HB 264 energy conservation project. The loan will be paid off in fiscal year 2022.

In fiscal year 2017, the School District borrowed \$9,100,000 in a tax revenue anticipation note. The note will be paid off in fiscal year 2027.

At June 30, 2019, the School District's overall legal debt margin was \$197,733,758 with an unvoted debt margin of \$2,197,042. See Notes 18, 21, and 22 to the basic financial statements for additional information on debt.

School District Outlook

The School District reached settlements with OAPSE and PEA. The OAPSE labor contracts runs through June 30, 2022 while the PEA contract runs through July 2022.

On August 1, 2016, the School District was declared in Fiscal Caution by the Ohio Department of Education (ODE). In response to the declaration, the School District developed a financial recovery plan that was accepted by ODE on November 30, 2016. The School District resubmitted a second financial recovery plan to ODE on May 29, 2018. ODE released the School District from Fiscal Caution on December 20, 2019. The School District was able to renew the 20122 fixed sum levy on November 8, 2016. The renewal of the levy, along with the reductions included in the Fiscal Recovery Plan, keeps the School District in a positive general fund cash position through June 30, 2023. The School District remains committed to reducing future deficits by continuing to reduce expenditures and seeking new revenue sources.

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. Sean Nuccio, CPA, Treasurer/Chief Financial Officer, can be contacted at the Parma City School District, 5311 Longwood Avenue, Parma, Ohio 44134 or by email at nuccios@parmacityschools.org.

Parma City School District

Statement of Net Position

June 30, 2019

	Governmental Activities	Business-Type Activities	Total *
Assets			
Equity in Pooled Cash and Cash Equivalents	\$28,666,820	\$3,333,923	\$32,000,743
Materials and Supplies Inventory	153,847	1,623	155,470
Inventory Held for Resale	0	16,325	16,325
Accounts Receivable	1,063,401	122,231	1,185,632
Internal Balances	209,547	(209,547)	0
Intergovernmental Receivable	2,739,980	0	2,739,980
Property Taxes Receivable	104,779,789	0	104,779,789
Prepaid Items	137,951	0	137,951
Net OPEB Asset (See Note 15)	9,247,475	18,531	9,266,006
Nondepreciable Capital Assets	5,009,510	0	5,009,510
Depreciable Capital Assets, Net	43,196,560	230,159	43,426,719
<i>Total Assets</i>	<u>195,204,880</u>	<u>3,513,245</u>	<u>198,718,125</u>
Deferred Outflows of Resources			
Pension	40,449,036	875,950	41,137,766
OPEB	1,817,433	129,165	1,877,195
<i>Total Deferred Outflows of Resources</i>	<u>42,266,469</u>	<u>1,005,115</u>	<u>43,014,961</u>
Liabilities			
Accounts Payable	237,190	23,009	260,199
Accrued Wages and Benefits	9,927,609	63,326	9,990,935
Contracts Payable	4,550	0	4,550
Intergovernmental Payable	2,582,767	29,949	2,612,716
Accrued Interest Payable	37,717	0	37,717
Matured Compensated Absences Payable	552,981	0	552,981
Claims Payable	1,901,711	0	1,901,711
Notes Payable	7,475,000	0	7,475,000
Long-Term Liabilities:			
Due Within One Year	1,725,298	12,753	1,738,051
Due In More Than One Year:			
Net Pension Liability (See Note 14)	159,759,277	3,653,176	163,412,453
Net OPEB Liability (See Note 15)	16,291,274	1,667,040	17,958,314
Other Amounts Due In More Than One Year	8,985,837	358,185	9,344,022
<i>Total Liabilities</i>	<u>209,481,211</u>	<u>5,807,438</u>	<u>215,288,649</u>
Deferred Inflows of Resources			
Property Taxes	80,340,790	0	80,340,790
Pension	23,911,365	610,328	24,334,473
OPEB	20,233,152	296,741	20,460,490
<i>Total Deferred Inflows of Resources</i>	<u>124,485,307</u>	<u>907,069</u>	<u>125,135,753</u>
Net Position			
Net Investment in Capital Assets	39,041,623	230,159	39,271,782
Restricted for:			
Capital Projects	5,147,939	0	5,147,939
District Managed Student Activities	694,220	0	694,220
Auxiliary Services	481,368	0	481,368
Other Purposes	467,648	0	467,648
Unclaimed Funds	19,832	0	19,832
Unrestricted (Deficit)	<u>(142,347,799)</u>	<u>(2,426,306)</u>	<u>(144,774,105)</u>
<i>Total Net Position</i>	<u>(\$96,495,169)</u>	<u>(\$2,196,147)</u>	<u>(\$98,691,316)</u>

* After deferred outflows of resources and deferred inflows of resources related to the change in internal proportionate share of pension/OPEB related items have been eliminated.

See accompanying notes to the basic financial statements

Parma City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$56,282,919	\$1,289,982	\$800,049	\$466,981
Special	25,871,859	555,896	8,831,189	0
Vocational	4,411,542	103,844	1,182,138	0
Adult/Continuing	8,520	177	0	0
Student Intervention Services	19,385	402	0	0
Support Services:				
Pupils	10,750,543	249,635	454,228	0
Instructional Staff	2,229,787	43,904	382,782	0
Board of Education	469,514	9,762	0	0
Administration	7,236,984	193,039	827,440	0
Fiscal	2,893,226	60,115	0	11,806
Business	1,000,679	21,007	0	2,531
Operation and Maintenance of Plant	11,038,615	195,244	55,344	36,792
Pupil Transportation	9,399,463	130,660	328,710	754,640
Central	2,195,361	47,304	25	2,291
Operation of Non-Instructional Services	3,983,250	643	4,033,705	0
Extracurricular Activities	2,651,327	1,366,162	14,460	0
Interest and Fiscal Charges	321,016	0	0	0
<i>Total Governmental Activities</i>	<u>140,763,990</u>	<u>4,267,776</u>	<u>16,910,070</u>	<u>1,275,041</u>
Business-Type Activities				
Food Service	4,814,061	1,640,064	3,054,368	0
Adult Continuing Education	(58,260)	0	0	0
Extended Day Care/Preschool	989,997	1,116,250	0	0
<i>Total Business-Type Activities</i>	<u>5,745,798</u>	<u>2,756,314</u>	<u>3,054,368</u>	<u>0</u>
Totals	<u>\$146,509,788</u>	<u>\$7,024,090</u>	<u>\$19,964,438</u>	<u>\$1,275,041</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

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$53,725,907)	\$0	(\$53,725,907)
(16,484,774)	0	(16,484,774)
(3,125,560)	0	(3,125,560)
(8,343)	0	(8,343)
(18,983)	0	(18,983)
(10,046,680)	0	(10,046,680)
(1,803,101)	0	(1,803,101)
(459,752)	0	(459,752)
(6,216,505)	0	(6,216,505)
(2,821,305)	0	(2,821,305)
(977,141)	0	(977,141)
(10,751,235)	0	(10,751,235)
(8,185,453)	0	(8,185,453)
(2,145,741)	0	(2,145,741)
51,098	0	51,098
(1,270,705)	0	(1,270,705)
(321,016)	0	(321,016)
(118,311,103)	0	(118,311,103)
0	(119,629)	(119,629)
0	58,260	58,260
0	126,253	126,253
0	64,884	64,884
(118,311,103)	64,884	(118,246,219)
96,369,577	0	96,369,577
5,139,985	0	5,139,985
44,628,511	0	44,628,511
1,007,254	0	1,007,254
75,111	0	75,111
21,945	0	21,945
257,839	0	257,839
1,105,911	14,593	1,120,504
148,606,133	14,593	148,620,726
30,295,030	79,477	30,374,507
(126,790,199)	(2,275,624)	(129,065,823)
(\$96,495,169)	(\$2,196,147)	(\$98,691,316)

Parma City School District
Balance Sheet
Governmental Funds
June 30, 2019

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$16,495,643	\$3,973,598	\$1,689,720	\$22,158,961
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	19,832	0	0	19,832
Materials and Supplies Inventory	153,847	0	0	153,847
Accounts Receivable	1,052,954	1,663	158	1,054,775
Interfund Receivable	1,067,901	0	0	1,067,901
Intergovernmental Receivable	1,324,984	0	1,414,996	2,739,980
Prepaid Items	137,951	0	0	137,951
Property Taxes Receivable	99,467,129	5,312,660	0	104,779,789
<i>Total Assets</i>	<u>\$119,720,241</u>	<u>\$9,287,921</u>	<u>\$3,104,874</u>	<u>\$132,113,036</u>
Liabilities				
Accounts Payable	\$145,498	\$3,256	\$82,748	\$231,502
Accrued Wages and Benefits	9,564,610	0	362,999	9,927,609
Contracts Payable	4,550	0	0	4,550
Intergovernmental Payable	2,499,626	269	82,872	2,582,767
Accrued Interest Payable	0	17,255	0	17,255
Interfund Payable	0	150,000	708,354	858,354
Matured Compensated Absences Payable	537,360	0	15,621	552,981
Notes Payable	0	7,475,000	0	7,475,000
<i>Total Liabilities</i>	<u>12,751,644</u>	<u>7,645,780</u>	<u>1,252,594</u>	<u>21,650,018</u>
Deferred Inflows of Resources				
Unavailable Revenue	6,465,311	251,197	1,373,560	8,090,068
Property Taxes	76,273,889	4,066,901	0	80,340,790
<i>Total Deferred Inflows of Resources</i>	<u>82,739,200</u>	<u>4,318,098</u>	<u>1,373,560</u>	<u>88,430,858</u>
Fund Balances				
Nonspendable	311,630	0	0	311,630
Restricted	0	0	1,382,975	1,382,975
Assigned	1,732,173	0	0	1,732,173
Unassigned (Deficit)	22,185,594	(2,675,957)	(904,255)	18,605,382
<i>Total Fund Balances (Deficit)</i>	<u>24,229,397</u>	<u>(2,675,957)</u>	<u>478,720</u>	<u>22,032,160</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$119,720,241</u>	<u>\$9,287,921</u>	<u>\$3,104,874</u>	<u>\$132,113,036</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, 2019

Total Governmental Fund Balances		\$22,032,160
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		48,206,070
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	\$4,906,639	
Intergovernmental	1,671,749	
Tuition and Fees	1,511,680	
Total	8,090,068	8,090,068
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		(20,462)
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds:		
Loans Payable	(1,559,202)	
Capital Leases Payable	(130,245)	
Compensated Absences	(9,021,688)	
Total	(10,711,135)	(10,711,135)
The net pension/OPEB asset/liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds:		
Net OPEB Asset	9,247,475	
Deferred Outflows - Pension	40,449,036	
Deferred Outflows - OPEB	1,817,433	
Net Pension Liability	(159,759,277)	
Net OPEB Liability	(16,291,274)	
Deferred Inflows - Pension	(23,911,365)	
Deferred Inflows - OPEB	(20,233,152)	
Total	(168,681,124)	(168,681,124)
The internal service fund is used by management to charge the costs of insurance. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		4,589,254
<i>Net Position of Governmental Activities</i>		(\$96,495,169)

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, 2019

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$97,392,809	\$5,203,435	\$0	\$102,596,244
Intergovernmental	50,878,039	1,270,041	9,729,833	61,877,913
Interest	751,289	217,785	38,180	1,007,254
Tuition and Fees	1,843,875	0	0	1,843,875
Extracurricular Activities	529,200	0	581,977	1,111,177
Rentals	215,821	0	0	215,821
Charges for Services	1,292,212	5,900	0	1,298,112
Contributions and Donations	29,310	5,000	3,200	37,510
Payments in Lieu of Taxes	75,111	0	0	75,111
Miscellaneous	1,003,655	12,057	90,199	1,105,911
<i>Total Revenues</i>	<u>154,011,321</u>	<u>6,714,218</u>	<u>10,443,389</u>	<u>171,168,928</u>
Expenditures				
Current:				
Instruction:				
Regular	61,716,484	1,927,716	734,173	64,378,373
Special	26,714,448	0	3,478,340	30,192,788
Vocational	4,937,201	0	251,873	5,189,074
Adult/Continuing	8,520	0	0	8,520
Student Intervention Services	19,385	0	0	19,385
Support Services:				
Pupils	12,020,752	0	430,441	12,451,193
Instructional Staff	2,122,975	0	359,229	2,482,204
Board of Education	470,458	0	0	470,458
Administration	9,282,804	0	795,225	10,078,029
Fiscal	2,884,394	48,736	0	2,933,130
Business	1,015,406	10,447	0	1,025,853
Operation and Maintenance of Plant	9,480,370	151,882	60,963	9,693,215
Pupil Transportation	6,059,961	3,115,189	4,930	9,180,080
Central	2,272,247	9,458	0	2,281,705
Operation of Non-Instructional Services	31,561	0	4,046,458	4,078,019
Extracurricular Activities	2,369,413	0	602,012	2,971,425
Capital Outlay	62,917	1,804,800	0	1,867,717
Debt Service:				
Principal Retirement	0	1,398,090	0	1,398,090
Interest and Fiscal Charges	0	331,652	0	331,652
<i>Total Expenditures</i>	<u>141,469,296</u>	<u>8,797,970</u>	<u>10,763,644</u>	<u>161,030,910</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>12,542,025</u>	<u>(2,083,752)</u>	<u>(320,255)</u>	<u>10,138,018</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	120,841	149,399	0	270,240
Transfers In	0	0	740	740
Transfers Out	(740)	0	0	(740)
<i>Total Other Financing Sources (Uses)</i>	<u>120,101</u>	<u>149,399</u>	<u>740</u>	<u>270,240</u>
<i>Net Change in Fund Balances</i>	12,662,126	(1,934,353)	(319,515)	10,408,258
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>11,567,271</u>	<u>(741,604)</u>	<u>798,235</u>	<u>11,623,902</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$24,229,397</u>	<u>(\$2,675,957)</u>	<u>\$478,720</u>	<u>\$22,032,160</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, 2019*

Net Change in Fund Balances - Total Governmental Funds \$10,408,258

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

Governmental funds report capital additions as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital additions in the current period:		
Capital Additions	\$93,824	
Depreciation	(2,846,912)	
Total		(2,753,088)
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.		(12,401)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	(1,086,682)	
Intergovernmental	920,144	
Tuition and Fees	(201,209)	
Total		(367,747)
Repayment of 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.		1,398,090
Some expenses reported in the statement of activities, such as accrued interest, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		10,636
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.		(566,888)
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.		748,773
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	11,517,468	
OPEB	471,384	
Total		11,988,852
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB asset/liabilities are reported as pension/OPEB expense in the statement of activities:		
Pension	(10,999,514)	
OPEB	20,440,059	
Total		9,440,545
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$30,295,030</u></u>

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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Property Taxes	\$90,286,691	\$93,653,096	\$93,653,096	\$0
Intergovernmental	50,206,301	50,974,138	50,974,138	0
Interest	191,117	684,189	684,189	0
Tuition and Fees	2,728,873	2,348,444	2,348,444	0
Extracurricular Activities	304,986	316,743	316,743	0
Rentals	210,819	215,591	215,591	0
Charges for Services	1,393,524	1,292,212	1,292,212	0
Contributions and Donations	17,169	21,945	21,945	0
Payments in Lieu of Taxes	75,111	75,111	75,111	0
Miscellaneous	488,339	562,183	562,183	0
<i>Total Revenues</i>	<u>145,902,930</u>	<u>150,143,652</u>	<u>150,143,652</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	64,190,619	62,417,170	62,417,170	0
Special	26,220,522	26,446,321	26,446,321	0
Vocational	5,125,734	5,188,270	5,188,270	0
Adult/Continuing	12,981	8,520	8,520	0
Student Intervention Services	37,329	19,385	19,385	0
Support Services:				
Pupils	11,935,714	11,978,197	11,978,197	0
Instructional Staff	2,145,002	2,115,355	2,115,355	0
Board of Education	517,408	483,303	483,303	0
Administration	9,842,326	9,248,883	9,248,883	0
Fiscal	3,467,145	2,915,242	2,915,242	0
Business	1,257,569	1,040,380	1,040,380	0
Operation and Maintenance of Plant	10,903,301	9,597,903	9,597,903	0
Pupil Transportation	6,072,575	6,188,292	6,188,292	0
Central	2,556,317	2,347,812	2,347,812	0
Operation of Non-Instructional Services	32,869	31,023	31,023	0
Extracurricular Activities	1,929,912	1,869,654	1,869,654	0
Capital Outlay	98,265	79,209	79,209	0
<i>Total Expenditures</i>	<u>146,345,588</u>	<u>141,974,919</u>	<u>141,974,919</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(442,658)</u>	<u>8,168,733</u>	<u>8,168,733</u>	<u>0</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	120,841	120,841	0
Insurance Recoveries	25,250	0	0	0
Advances In	500,000	320,407	320,407	0
Advances Out	0	(648,256)	(648,256)	0
Transfers In	508,000	3,544	3,544	0
Transfers Out	(1,948)	(740)	(740)	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,031,302</u>	<u>(204,204)</u>	<u>(204,204)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	588,644	7,964,529	7,964,529	0
<i>Fund Balance Beginning of Year</i>	6,035,681	6,035,681	6,035,681	0
Prior Year Encumbrances Appropriated	535,091	535,091	535,091	0
<i>Fund Balance End of Year</i>	<u>\$7,159,416</u>	<u>\$14,535,301</u>	<u>\$14,535,301</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Parma City School District
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
Assets		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$3,333,923	\$6,488,027
Materials and Supplies Inventory	1,623	0
Inventory Held for Resale	16,325	0
Accounts Receivable	122,231	8,626
<i>Total Current Assets</i>	<u>3,474,102</u>	<u>6,496,653</u>
<i>Noncurrent Assets:</i>		
Net OPEB Asset	18,531	0
Capital Assets, Net	230,159	0
<i>Total Noncurrent Assets</i>	<u>248,690</u>	<u>0</u>
<i>Total Assets</i>	<u>3,722,792</u>	<u>6,496,653</u>
Deferred Outflows of Resources		
Pension	875,950	0
OPEB	129,165	0
<i>Total Deferred Outflows of Resources</i>	<u>1,005,115</u>	<u>0</u>
Liabilities		
<i>Current Liabilities:</i>		
Accounts Payable	23,009	5,688
Accrued Wages and Benefits	63,326	0
Intergovernmental Payable	29,949	0
Claims Payable	0	1,901,711
Compensated Absences Payable	12,753	0
Interfund Payable	209,547	0
<i>Total Current Liabilities</i>	<u>338,584</u>	<u>1,907,399</u>
<i>Long-Term Liabilities:</i>		
Net Pension Liability	3,653,176	0
Net OPEB Liability	1,667,040	0
Compensated Absences Payable	358,185	0
<i>Total Long-Term Liabilities</i>	<u>5,678,401</u>	<u>0</u>
<i>Total Liabilities</i>	<u>6,016,985</u>	<u>1,907,399</u>
Deferred Inflows of Resources		
Pension	610,328	0
OPEB	296,741	0
<i>Total Deferred Inflows of Resources</i>	<u>907,069</u>	<u>0</u>
Net Position		
Investment in Capital Assets	230,159	0
Unrestricted (Deficit)	(2,426,306)	4,589,254
<i>Total Net Position</i>	<u>(\$2,196,147)</u>	<u>\$4,589,254</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, 2019*

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
Operating Revenues		
Intergovernmental	\$380,303	\$0
Tuition	1,116,084	0
Sales	1,640,064	0
Charges for Services	166	19,969,467
Miscellaneous	14,593	8,602
<i>Total Operating Revenues</i>	<u>3,151,210</u>	<u>19,978,069</u>
Operating Expenses		
Salaries	2,344,276	0
Fringe Benefits	865,715	0
Purchased Services	318,020	105,566
Materials and Supplies	37,053	541
Cost of Sales	2,079,112	0
Depreciation	37,298	0
Claims	0	17,276,451
Other	64,324	1,846,738
<i>Total Operating Expenses</i>	<u>5,745,798</u>	<u>19,229,296</u>
<i>Operating Income (Loss)</i>	(2,594,588)	748,773
Non-Operating Revenues		
Federal and State Grants	<u>2,674,065</u>	<u>0</u>
<i>Change in Net Position</i>	79,477	748,773
<i>Net Position Beginning of Year</i>	<u>(2,275,624)</u>	<u>3,840,481</u>
<i>Net Position End of Year</i>	<u><u>(\$2,196,147)</u></u>	<u><u>\$4,589,254</u></u>

See accompanying notes to the basic financial statements

Parma City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	<u>Non-Major Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
Increases (Decreases) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$2,755,727	\$0
Cash Received from Interfund Services Provided	0	19,969,467
Cash Received From Other Cash Receipts	374	0
Cash Payments to Employees for Services	(2,341,685)	0
Cash Payments for Employee Benefits	(945,929)	0
Cash Payments for Goods and Services	(2,029,489)	(100,419)
Cash Payments for Claims	0	(16,878,128)
Cash Payments for Other Items	(64,324)	(1,846,738)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(2,625,326)	1,144,182
Cash Flows from Noncapital Financing Activities		
Federal and State Grants	2,674,065	0
<i>Net Increase in Cash and Cash Equivalents</i>	48,739	1,144,182
<i>Cash and Cash Equivalents Beginning of Year</i>	3,285,184	5,343,845
<i>Cash and Cash Equivalents End of Year</i>	\$3,333,923	\$6,488,027

(continued)

Parma City School District
Statement of Cash Flows
Proprietary Funds (continued)
For the Fiscal Year Ended June 30, 2019

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating Income (Loss)	(\$2,594,588)	\$748,773
Adjustments:		
Depreciation	37,298	0
(Increase) Decrease in Assets:		
Materials and Supplies Inventory	3,269	0
Inventory Held for Resale	(1,885)	0
Accounts Receivable	(14,806)	(8,602)
Net OPEB Asset	(18,531)	0
Decrease in Deferred Outflows:		
Pension	640,029	0
OPEB	39,021	0
Increase (Decrease) in Liabilities:		
Accounts Payable	23,009	5,688
Accrued Wages and Benefits	2,591	0
Intergovernmental Payable	3,411	0
Claims Payable	0	398,323
Compensated Absences Payable	13,688	0
Net Pension Liability	(190,010)	0
Net OPEB Liability	84,317	0
Decrease in Deferred Inflows:		
Pension	(558,817)	0
OPEB	(93,322)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<i>(\$2,625,326)</i>	<i>\$1,144,182</i>

See accompanying notes to the basic financial statements

Parma City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2019

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$137,399
Intergovernmental Receivable	<u>42,971</u>
<i>Total Assets</i>	<u><u>\$180,370</u></u>
Liabilities	
Undistributed Monies	\$26,253
Due to Students	<u>154,117</u>
<i>Total Liabilities</i>	<u><u>\$180,370</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, 2019

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 instructional/support facilities staffed by 788 noncertified and 713 certificated full time teaching personnel who provide services to 9,629 students and other community members.

On August 1, 2016, the School District was declared in Fiscal Caution by the Ohio Department of Education (ODE). In response to the declaration, the School District developed an original financial recovery plan that was accepted by ODE on November 30, 2016. The School District resubmitted a financial recovery plan to ODE on May 29, 2018. ODE released the School District from Fiscal Caution December 20, 2019.

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.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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 19 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, 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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

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 following are the School District's major governmental funds:

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

Permanent Improvement Fund The permanent improvement capital projects fund accounts for and reports restricted property taxes and grants to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

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

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

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

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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, grants, tuition and fees, extracurricular activities, rentals, and other miscellaneous revenues.

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 and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 14 and 15.

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, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 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, intergovernmental revenue, and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 14 and 15).

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liabilities (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans 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, 2019

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."

During fiscal year 2019, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2019 amounted to \$751,289 which includes \$231,449 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.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments or imposed by law through constitutional provision. Restricted assets in the general fund are for unclaimed funds.

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. They generally result from expenditures in the governmental funds. General capital 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 acquisition 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 and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

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.

Internal Eliminations

Deferred outflows and resources and deferred inflows of resources from the change in internal proportionate share related to pension/OPEB items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds; however, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for 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 pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

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 other local and federal grants related to regular and special instruction and social and support services and limited English proficiency.

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance 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 Board of Education also assigned fund balance for public school support.

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.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

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

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

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 – Changes in Accounting Principles

For fiscal year 2019, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

GASB 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

For fiscal year 2019, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Accountability

Fund balances at June 30, 2019, included the following individual fund deficits:

Fund	Amount
<i>Special Revenue Funds:</i>	
Miscellaneous State Grants	\$31,212
Title VI-B	277,232
Vocational Education	43,718
Limited English Proficiency	1,945
Title I	397,642
Preschool Grants	48,592
Title VI-R	103,914
<i>Capital Projects Fund:</i>	
Permanent Improvement	2,675,957

The special revenue funds' deficit balances for miscellaneous state grants, title VI-B, limited English proficiency, and title I resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the funds and provides transfers when cash is required, not when accruals occur.

The special revenue funds' deficit balances for vocational education, preschool grants, and title VI-R resulted from an interfund payable. The general fund provides money to operate the program until grants and other monies are received and the advance can be repaid.

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).

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.
5. Budgetary revenues and expenditures of the unclaimed monies and public school support funds are reclassified to the general fund for GAAP Reporting.
6. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed or assigned fund balance.

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	\$12,662,126
Net Adjustment for Revenue Accruals	(3,361,392)
Net Adjustment for Expenditure Accruals	536,537
Advances In	320,407
Advances Out	(648,256)
Ending Unrecorded Cash	(67,100)
Perspective Differences:	
Unclaimed Monies	1,050
Public School Support	83,585
Adjustments for Encumbrances	<u>(1,562,428)</u>
Budget Basis	<u>\$7,964,529</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.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time 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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a 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 June 30, 2019, \$198,755 of the School District's total bank balance of \$1,533,786 was

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the School District’s financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2019, the School District’s only investment was in STAR Ohio, which is measured at net asset value per share. The average maturity at June 30, 2019 was 53.3 days.

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

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating, AAAM by Standard and Poor’s, provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

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 Balance	General	Permanent Improvement	Other Governmental Funds	Total
<i>Nonspendable:</i>				
Unclaimed Funds	\$19,832	\$0	\$0	\$19,832
Materials and Supplies Inventory	153,847	0	0	153,847
Prepays Items	137,951	0	0	137,951
<i>Total Nonspendable</i>	<u>\$311,630</u>	<u>\$0</u>	<u>\$0</u>	<u>\$311,630</u>

(continued)

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Fund Balance (continued)	General	Permanent Improvement	Other Governmental Funds	Total
<i>Restricted for:</i>				
Capital Projects	\$0	\$0	\$97,699	\$97,699
District Managed Student Activities	0	0	694,220	694,220
Auxiliary Services	0	0	533,142	533,142
Other Purposes	0	0	57,914	57,914
<i>Total Restricted</i>	0	0	1,382,975	1,382,975
<i>Assigned to:</i>				
Purchases on Order:				
Instruction	1,052,177	0	0	1,052,177
Support Services	335,294	0	0	335,294
Extracurricular Activities	143	0	0	143
Capital Outlay	16,292	0	0	16,292
Public School Support	328,267	0	0	328,267
<i>Total Assigned</i>	1,732,173	0	0	1,732,173
<i>Unassigned (Deficit)</i>	22,185,594	(2,675,957)	(904,255)	18,605,382
<i>Total Fund Balances (Deficit)</i>	\$24,229,397	(\$2,675,957)	\$478,720	\$22,032,160

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>Governmental Funds:</i>		<i>Proprietary Funds:</i>	
General	\$1,562,428	Food Service	\$88,084
Permanent Improvement	873,810	Extended Daycare	788
Other Governmental Funds	484,259	Total	<u>\$88,872</u>
Total	<u>\$2,920,497</u>		

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 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, 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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018, and are collected in calendar year 2019 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, 2019, are available to finance fiscal year 2019 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, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2019, was \$18,537,798 in the general fund and \$994,562 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2018, was \$14,798,085 in the general fund and \$840,966 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 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,933,301,450	97.16 %	\$2,137,472,990	97.29 %
Public Utility	56,472,580	2.84	59,568,760	2.71
Total	<u>\$1,989,774,030</u>	<u>100.00 %</u>	<u>\$2,197,041,750</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$75.86		\$75.86	

Note 10 – Tax Abatements

For fiscal year 2019, the School District property taxes were reduced by \$14,552 under a community reinvestment area agreement entered into by the City of Parma Heights.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Governmental Activities:				
<i>Capital Assets, not being depreciated:</i>				
Land	\$5,009,510	\$0	\$0	\$5,009,510
<i>Capital Assets, being depreciated:</i>				
Land Improvements	17,421,486	0	0	17,421,486
Buildings and Improvements	93,632,389	21,353	0	93,653,742
Furniture and Equipment	14,714,034	22,004	(136,848)	14,599,190
Vehicles	8,753,311	50,467	(1,806,828)	6,996,950
<i>Total Capital Assets, being depreciated</i>	<u>134,521,220</u>	<u>93,824</u>	<u>(1,943,676)</u>	<u>132,671,368</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(9,650,825)	(668,937)	0	(10,319,762)
Buildings and Improvements	(60,500,217)	(1,239,740)	0	(61,739,957)
Furniture and Equipment	(11,877,456)	(529,595)	124,447	(12,282,604)
Vehicles	(6,530,673)	(408,640)	1,806,828	(5,132,485)
<i>Total Accumulated Depreciation</i>	<u>(88,559,171)</u>	<u>(2,846,912) *</u>	<u>1,931,275</u>	<u>(89,474,808)</u>
Total Capital Assets, being depreciated, net	<u>45,962,049</u>	<u>(2,753,088)</u>	<u>(12,401)</u>	<u>43,196,560</u>
Governmental Activities Capital Assets, Net	<u>\$50,971,559</u>	<u>(\$2,753,088)</u>	<u>(\$12,401)</u>	<u>\$48,206,070</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,815,830
Special	596
Vocational	64,121
Support Services:	
Pupils	18,990
Instructional Staff	4,911
Administration	3,195
Fiscal	13,587
Business	11,174
Operation and Maintenance of Plant	483,205
Pupil Transportation	379,439
Central	9,768
Operation of Non-Instructional Services	23,515
Extracurricular Activities	18,581
Total Depreciation Expense	<u>\$2,846,912</u>

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Business-Type Activities:				
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	\$9,800	\$0	\$0	\$9,800
Furniture and Equipment	1,741,582	0	0	1,741,582
Vehicles	20,292	0	0	20,292
<i>Total Capital Assets, being depreciated</i>	<u>1,771,674</u>	<u>0</u>	<u>0</u>	<u>1,771,674</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(3,498)	(196)	0	(3,694)
Furniture and Equipment	(1,493,617)	(35,073)	0	(1,528,690)
Vehicles	(7,102)	(2,029)	0	(9,131)
<i>Total Accumulated Depreciation</i>	<u>(1,504,217)</u>	<u>(37,298)</u> *	<u>0</u>	<u>(1,541,515)</u>
Business-Type Activities Capital Assets, Net	<u>\$267,457</u>	<u>(\$37,298)</u>	<u>\$0</u>	<u>\$230,159</u>

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

Food Service	\$37,102
Extended Daycare/Preschool	196
Total Depreciation Expense	<u>\$37,298</u>

Note 12 – 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, 2019, 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
Blanket Building and Contents	339,932,098	25,000
Cyber	3,000,000	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 2019 plan year of \$1,000,000.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

The claims liability of \$1,901,711 reported in the internal service fund at June 30, 2019, 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 2018 and 2019 were:

Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2018	\$1,562,582	\$17,865,796	\$17,924,990	\$1,503,388
2019	1,503,388	17,276,451	16,878,128	1,901,711

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.

Note 13 – Receivables

Receivables at June 30, 2019, consisted of taxes, accounts (tuition, extracurricular activities, rent and miscellaneous), 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 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
Foundation Funding	\$1,026,795
Title I	543,697
Special Education, Part B-IDEA	405,080
Bureau of Workers' Compensation Rebate	277,829
Title II-A	152,016
Title IV-A	111,543
21st Century	76,379
Early Childhood Special Education	67,109
Carl Perkins	35,330
Title III	21,901
SERS Refund	20,360
Parent Mentor Project	1,115
Ohio School Climate Program	826
Total Governmental Activities	<u>\$2,739,980</u>

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Payments in Lieu of Taxes

The School District is party to Tax Increment Financing (TIF) agreements. Municipalities, townships and counties can enter into TIF agreements which lock in real property at its unimproved value for up to 30 years in a defined TIF district. Some TIF agreements also require the TIF government to allocate service payments to school districts and other governments to help offset the property taxes these governments would have received had the improvements to real property not been exempted. The service payments that the School District receives as part of TIF agreements are presented on the financial statements as Payments in Lieu of Taxes.

Note 14 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liabilities (asset) represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liabilities (asset) calculations are 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 these estimates annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also include pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liabilities (asset). Resulting adjustments to the net pension/OPEB liabilities (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset*, long-term *net pension liability*, or long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

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 under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

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The School District's contractually required contribution to SERS was \$2,909,750 for fiscal year 2019. Of this amount \$161,613 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 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be 5 years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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.

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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 to 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. For the fiscal year ended June 30, 2019, the employer rate was 14 percent, and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$8,895,616 for fiscal year 2019. Of this amount \$1,228,868 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, 2018, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.68626842%	0.60645201%	
Current Measurement Date	<u>0.63944902%</u>	<u>0.57663926%</u>	
Change in Proportionate Share	<u>-0.04681940%</u>	<u>-0.02981275%</u>	
Proportionate Share of the Net Pension Liability	\$36,622,428	\$126,790,025	\$163,412,453
Pension Expense	\$2,169,033	\$9,009,581	\$11,178,614

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$2,008,509	\$2,926,702	\$4,935,211
Changes of assumptions	827,013	22,469,584	23,296,597
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	512,062	588,530	1,100,592
School District contributions subsequent to the measurement date	<u>2,909,750</u>	<u>8,895,616</u>	<u>11,805,366</u>
Total Deferred Outflows of Resources	<u>\$6,257,334</u>	<u>\$34,880,432</u>	<u>\$41,137,766</u>

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$828,016	\$828,016
Net difference between projected and actual earnings on pension plan investments	1,014,697	7,688,408	8,703,105
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>3,485,988</u>	<u>11,317,364</u>	<u>14,803,352</u>
Total Deferred Inflows of Resources	<u>\$4,500,685</u>	<u>\$19,833,788</u>	<u>\$24,334,473</u>

\$11,805,366 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 fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$1,094,742	\$7,704,225	\$8,798,967
2021	(734,797)	3,552,643	2,817,846
2022	(1,201,850)	(2,297,977)	(3,499,827)
2023	<u>(311,196)</u>	<u>(2,807,863)</u>	<u>(3,119,059)</u>
Total	<u>(\$1,153,101)</u>	<u>\$6,151,028</u>	<u>\$4,997,927</u>

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.

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.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented as follows:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age setback for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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 earnings were calculated using the long-term assumed investment rate of return (7.50 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.

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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 School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$51,585,454	\$36,622,428	\$24,076,935

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, are presented as follows:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and do not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are 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, 2018; therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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 7.45 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$185,160,142	\$126,790,025	\$77,387,642

Note 15 – Defined Benefit OPEB Plans

See Note 14 for a description of the net OPEB liability (asset).

Plan Description – School Employees Retirement System (SERS)

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In

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addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. 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 2019, the School District's surcharge obligation was \$394,001.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$501,769 for fiscal year 2019. Of this amount \$399,987 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS, which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to postemployment health care.

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OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset):			
Prior Measurement Date	0.69783897%	0.60645201%	
Current Measurement Date	<u>0.64731665%</u>	<u>0.57663926%</u>	
Change in Proportionate Share	<u>-0.05052232%</u>	<u>-0.02981275%</u>	
Proportionate Share of the Net OPEB Liability (Asset)	\$17,958,314	(\$9,266,006)	\$8,692,308
OPEB Expense	\$119,094	(\$20,517,283)	(\$20,398,189)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$293,143	\$1,082,283	\$1,375,426
School District contributions subsequent to the measurement date	<u>501,769</u>	<u>0</u>	<u>501,769</u>
Total Deferred Outflows of Resources	<u>\$794,912</u>	<u>\$1,082,283</u>	<u>\$1,877,195</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$539,867	\$539,867
Changes of assumptions	1,613,418	12,625,661	14,239,079
Net difference between projected and actual earnings on OPEB plan investments	26,944	1,058,565	1,085,509
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>2,321,232</u>	<u>2,274,803</u>	<u>4,596,035</u>
Total Deferred Inflows of Resources	<u>\$3,961,594</u>	<u>\$16,498,896</u>	<u>\$20,460,490</u>

\$501,769 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	(\$1,430,785)	(\$2,772,432)	(\$4,203,217)
2021	(1,164,673)	(2,772,432)	(3,937,105)
2022	(321,995)	(2,772,438)	(3,094,433)
2023	(310,525)	(2,532,031)	(2,842,556)
2024	(312,390)	(2,447,686)	(2,760,076)
Thereafter	(128,083)	(2,119,594)	(2,247,677)
Total	<u>(\$3,668,451)</u>	<u>(\$15,416,613)</u>	<u>(\$19,085,064)</u>

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS’ actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

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 OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented as follows:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption:	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

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Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018, was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018, was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the School District's proportionate share of the net OPEB liability for SERS and what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the School District's proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.25 percent decreasing to 3.75 percent) and higher (8.25 percent decreasing to 5.75 percent) than the current rate.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$21,791,000	\$17,958,314	\$14,923,542

	1% Decrease (6.25 % decreasing to 3.75%)	Current Trend Rate (7.25 % decreasing to 4.75%)	1% Increase (8.25 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$14,489,064	\$17,958,314	\$22,552,220

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented as follows:

Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return - Current Year	7.45 percent
Blended Discount Rate of Return - Prior Year	4.13 percent
Health Care Cost Trends:	
Medical:	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug:	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020; however, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the School District's proportionate share of the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the School District's proportionate share of the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	\$7,941,833	\$9,266,006	\$10,378,907

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$10,316,082	\$9,266,006	\$8,199,568

Note 16 – 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.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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, which is prorated to a percent of the employee's contract. There is no limit on the maximum number of sick leave days that may be accumulated.

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

Classified employees who have retired and 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
Total	<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 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 12); vision insurance is through Medical Mutual of Ohio, and dental insurance through MetLife to all eligible employees.

Note 17 – 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, 2019

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, 2018	\$0
Current Year Set-aside Requirement	1,792,876
Offsets During the Fiscal Year	(5,837,591)
Totals	(\$4,044,715)
Set-aside Balance Carried	
Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2019	\$0

Although the School District had 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 18 – 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
Energy Conservation Loans:			
2004 - Phase VI	4.39 %	\$5,477,606	April 23, 2019
2005 - Phase VII	4.49	2,500,000	February 18, 2020
2006 - Phases VIII & IX	4.35	3,458,570	May 31, 2021
2008 - Phase X	4.29	2,511,519	July 30, 2022

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

	Principal Outstanding 7/1/2018	Additions	(Reductions)	Principal Outstanding 6/30/2019	Amount Due in One Year
Governmental Activities:					
Energy Conservation Loans:					
2004 - Phase VI	\$486,295	\$0	(\$486,295)	\$0	\$0
2005 - Phase VII	436,887	0	(213,595)	223,292	223,292
2006 - Phases VIII & IX	880,746	0	(281,042)	599,704	293,400
2008 - Phase X	927,229	0	(191,023)	736,206	199,306
Total Energy Conservation Loans	\$2,731,157	\$0	(\$1,171,955)	\$1,559,202	\$715,998

(continued)

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	Principal Outstanding 7/1/2018	Additions	(Reductions)	Principal Outstanding 6/30/2019	Amount Due in One Year
Governmental Activities (continued):					
Other Long-Term Obligations:					
Capital Leases	\$356,380	\$0	(\$226,135)	\$130,245	\$130,245
Compensated Absences	8,454,800	1,494,241	(927,353)	9,021,688	879,055
Total Other Long-Term Obligations	<u>8,811,180</u>	<u>1,494,241</u>	<u>(1,153,488)</u>	<u>9,151,933</u>	<u>1,009,300</u>
Net Pension Liability:					
SERS	37,180,707	0	(3,957,876)	33,222,831	0
STRS	143,847,878	0	(17,311,432)	126,536,446	0
Total Net Pension Liability	<u>181,028,585</u>	<u>0</u>	<u>(21,269,308)</u>	<u>159,759,277</u>	<u>0</u>
Net OPEB Liability:					
SERS	17,048,255	0	(756,981)	16,291,274	0
STRS	23,626,027	0	(23,626,027)	0	0
Total Net OPEB Liability	<u>40,674,282</u>	<u>0</u>	<u>(24,383,008)</u>	<u>16,291,274</u>	<u>0</u>
Total Governmental Activities	<u>\$233,245,204</u>	<u>\$1,494,241</u>	<u>(\$47,977,759)</u>	<u>\$186,761,686</u>	<u>\$1,725,298</u>
Business-Type Activities:					
Compensated Absences	\$357,250	\$27,343	(\$13,655)	\$370,938	\$12,753
Net Pension Liability:					
SERS	3,822,316	0	(422,719)	3,399,597	0
STRS	216,096	37,483	0	253,579	0
Total Net Pension Liability	<u>4,038,412</u>	<u>37,483</u>	<u>(422,719)</u>	<u>3,653,176</u>	<u>0</u>
Net OPEB Liability:					
SERS	1,679,910	0	(12,870)	1,667,040	0
STRS	35,492	0	(35,492)	0	0
Total Net OPEB Liability	<u>1,715,402</u>	<u>0</u>	<u>(48,362)</u>	<u>1,667,040</u>	<u>0</u>
Total Business-Type Activities	<u>\$6,111,064</u>	<u>\$64,826</u>	<u>(\$484,736)</u>	<u>\$5,691,154</u>	<u>\$12,753</u>

In April 2004, February 2005, May 2006, and July 2007 the School District issued HB 264 energy conservation loans in the amounts of \$5,477,606, \$2,500,000, \$3,458,570, and \$2,511,519, respectively. The proceeds were used to renovate school facilities in order to improve energy conservation measures.

The energy conservation loans and capital leases will be paid from the permanent improvement capital projects fund. Compensated absences will be paid from the general fund, auxiliary services, title VI-B, limited English proficiency, title I, preschool grants, and title VI-R special revenue funds, and the food service and extended daycare/preschool enterprise funds. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the general fund, other local grants, district managed student activities, auxiliary services, other state grants, title VI-B, limited English proficiency, title I, preschool grants, and title VI-R special revenue funds, and the food service and extended daycare/preschool enterprise funds. For additional information related to the net pension liability and net OPEB liability see Notes 14 and 15.

The School District's overall legal debt margin was \$197,733,758 with an unvoted debt margin of \$2,197,042 at June 30, 2019. Principal and interest requirements to retire the debt outstanding at June 30, 2019, are as follows:

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Fiscal Year Ending June 30,	Energy Conservation			
	Loans		Capital Leases	
	Principal	Interest	Principal	Interest
2020	\$715,998	\$59,947	\$130,245	\$3,061
2021	514,252	30,855	0	0
2022	216,965	11,810	0	0
2023	111,987	2,402	0	0
Total	<u>\$1,559,202</u>	<u>\$105,014</u>	<u>\$130,245</u>	<u>\$3,061</u>

Note 19 – Jointly Governed Organizations

Northwest 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 thirty-three 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 2019, the School District paid \$260,587 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 249 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 2019, the School District paid \$1,500 to the Council in membership fees. 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.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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. Constellation New Energy (formerly Compass Energy) has been selected as the supplier and program manager for the period from July 1, 2018 through June 30, 2019. There are currently 165 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.

Note 20 – 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, 2019.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2019 Foundation funding for the School District. The financial statement impact was determined to be immaterial and is not reported as an asset 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.

Note 21 – Capital Leases

In prior fiscal years, the School District entered into capital leases for copier machines, information technology equipment and school buses. These leases meet the criteria of capital leases 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.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

	Governmental Activities
Furniture and Equipment	\$679,323
Vehicles	532,638
Less: Accumulated Depreciation	(812,482)
<i>Total Capital Assets, being depreciated, net</i>	<i>\$399,479</i>

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

	Governmental Activities
2020	\$133,306
Less: Amounts Representing Interest	(3,061)
Present Value of Minimum Lease Payments	\$130,245

Note 22 – Note Payable

The School District’s note activity, including amounts outstanding and interest rate is as follows:

	Principal Outstanding 7/1/2018	Additions	(Reductions)	Principal Outstanding 6/30/2019
Permanent Improvement Capital Projects Fund:				
2017 Tax Revenue Anticipation Note	\$8,300,000	\$0	(\$825,000)	\$7,475,000

In November of 2016, the School District issued a tax anticipation note in the amount of \$9,100,000 for the purpose of paying costs of general permanent improvements. The tax anticipation note will be repaid over 10 years, with a 2.77 percent interest rate. The tax anticipation note will be paid from the permanent improvement capital projects fund. Principal and interest payments to retire the tax anticipation note are as follows:

Fiscal Year Ending June 30,	Tax Anticipation Note	
	Principal	Interest
2020	\$845,000	\$195,354
2021	870,000	171,602
2022	895,000	147,156
2023	920,000	122,018
2024	945,000	96,188
2025-2027	3,000,000	126,312
Total	\$7,475,000	\$858,630

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 23 – Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2019, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable General
<i>Governmental Activities:</i>	
Major Fund:	
Permanent Improvement	\$150,000
Other Governmental Funds:	
Miscellaneous State Grants	27,636
Title VI-B	253,325
Vocational Education	89,583
Limited English Proficiency	1,417
Title I	149,790
Preschool Grant	49,560
Title VI-R	137,043
Total Other Governmental Funds	708,354
<i>Total Governmental Activities</i>	858,354
 <i>Business-Type Activity:</i>	
Adult Continuing Education	209,547
 Total	 \$1,067,901

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 back next fiscal year.

Interfund Transfers

There was a transfer from the general fund to the other grants special revenue fund in the amount of \$740 to provide additional resources for current operations.

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 Six Fiscal Years (1) **

	2019	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.63944902%	0.68626842%	0.75386680%	0.71772080%
School District's Proportionate Share of the Net Pension Liability	\$36,622,428	\$41,003,023	\$55,176,094	\$40,953,845
School District's Covered Payroll	\$22,365,504	\$21,602,350	\$23,547,864	\$21,721,798
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	163.75%	189.81%	234.31%	188.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each fiscal year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the Required Supplementary Information

2015	2014
0.66086500%	0.66086500%
\$33,446,001	\$39,299,520
\$19,258,564	\$16,926,033
173.67%	232.18%
71.70%	65.52%

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

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.64731665%	0.69783897%	0.76285700%
School District's Proportionate Share of the Net OPEB Liability	\$17,958,314	\$18,728,165	\$21,744,246
School District's Covered Payroll	\$22,365,504	\$21,602,350	\$23,547,864
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	80.29%	86.70%	92.34%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each fiscal year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the Required Supplementary Information

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 Six Fiscal Years (1) **

	2019	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.57663926%	0.60645201%	0.63819045%	0.64667353%
School District's Proportionate Share of the Net Pension Liability	\$126,790,025	\$144,063,974	\$213,621,580	\$178,721,651
School District's Covered Payroll	\$65,413,629	\$66,460,786	\$67,472,071	\$67,642,971
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.83%	216.77%	316.61%	264.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%	72.10%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each fiscal year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the Required Supplementary Information

2015	2014
0.63600186%	0.63600186%
\$154,697,663	\$184,274,844
\$65,014,262	\$68,404,123
237.94%	269.39%
74.70%	69.30%

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

	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.57663926%	0.60645201%	0.63819045%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$9,266,006)	\$23,661,519	\$34,130,591
School District's Covered Payroll	\$65,413,629	\$66,460,786	\$67,472,071
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-14.17%	35.60%	50.58%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each fiscal year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the Required Supplementary Information

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

	2019	2018	2017	2016
Net Pension Liability:				
Contractually Required Contribution	\$2,909,750	\$3,019,343	\$3,024,329	\$3,296,701
Contributions in Relation to the Contractually Required Contribution	<u>(2,909,750)</u>	<u>(3,019,343)</u>	<u>(3,024,329)</u>	<u>(3,296,701)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$21,553,704	\$22,365,504	\$21,602,350	\$23,547,864
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability:				
Contractually Required Contribution (2)	\$501,769	\$458,880	\$386,744	\$381,271
Contributions in Relation to the Contractually Required Contribution	<u>(501,769)</u>	<u>(458,880)</u>	<u>(386,744)</u>	<u>(381,271)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.33%</u>	<u>2.05%</u>	<u>1.79%</u>	<u>1.62%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.83%</u>	<u>15.55%</u>	<u>15.79%</u>	<u>15.62%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the Required Supplementary Information

2015	2014	2013	2012	2011	2010
\$2,862,933	\$2,669,237	\$2,342,563	\$2,369,836	\$2,135,676	\$2,433,157
(2,862,933)	(2,669,237)	(2,342,563)	(2,369,836)	(2,135,676)	(2,433,157)
\$0	\$0	\$0	\$0	\$0	\$0
\$21,721,798	\$19,258,564	\$16,926,033	\$17,619,599	\$16,990,263	\$17,970,140
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
\$550,824	\$358,563	\$349,305	\$376,362	\$520,852	\$373,924
(550,824)	(358,563)	(349,305)	(376,362)	(520,852)	(373,924)
\$0	\$0	\$0	\$0	\$0	\$0
2.54%	1.86%	2.06%	2.14%	3.07%	2.08%
15.72%	15.72%	15.90%	15.59%	15.64%	15.62%

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

	2019	2018	2017	2016
Net Pension Liability:				
Contractually Required Contribution	\$8,895,616	\$9,157,908	\$9,304,510	\$9,446,090
Contributions in Relation to the Contractually Required Contribution	<u>(8,895,616)</u>	<u>(9,157,908)</u>	<u>(9,304,510)</u>	<u>(9,446,090)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$63,540,114	\$65,413,629	\$66,460,786	\$67,472,071
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability (Asset):				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the Required Supplementary Information

2015	2014	2013	2012	2011	2010
\$9,470,016	\$8,451,854	\$8,892,536	\$8,502,352	\$8,151,808	\$8,515,805
(9,470,016)	(8,451,854)	(8,892,536)	(8,502,352)	(8,151,808)	(8,515,805)
\$0	\$0	\$0	\$0	\$0	\$0
\$67,642,971	\$65,014,262	\$68,404,123	\$65,402,708	\$62,706,215	\$65,506,192
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$0	\$650,143	\$684,041	\$654,027	\$627,062	\$655,062
0	(650,143)	(684,041)	(654,027)	(627,062)	(655,062)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Parma City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented as follows:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age setback for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented as follows:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for

Parma City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on the RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males’ ages are set back two years through age 89 and no setback for age 90 and above. Females younger than age 80 are set back four years, one year setback from age 80 through 89, and no setback from age 90 and above.

Net OPEB Liability (Asset)

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:	
Fiscal Year 2019	3.62 percent
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal Year 2019	3.70 percent
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent.

Changes in Benefit Terms – STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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December 20, 2019

To the Board of Education
Parma City School District
Cuyahoga County, Ohio
5311 Longwood Avenue
Parma, OH 44134

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Parma City School District, Cuyahoga County, Ohio (the “School District”) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated December 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Mentor, Ohio

December 20, 2019

The Board of Education
Parma City School District
Cuyahoga County, Ohio
5311 Longwood Avenue
Parma, OH 44134

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited the Parma City School District's, Cuyahoga County, Ohio (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2019. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The School District's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, as described in the accompanying *Schedule of Findings and Questioned Costs* as item 2019-001 that we consider to be a significant deficiency.

Parma City School District
Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by the Uniform Guidance
Page 3 of 3

The School District's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hea & Associates, Inc.

Mentor, Ohio

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Parma City School District
Cuyahoga County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Program Year	Federal Disbursements	Passed Through to Subrecipients
U. S. Department of Education (Passed Through Ohio Department of Education):				
Title I-A Improving Basic Programs	84.010	2018	\$ 367,188	\$ 0
Title I-A Improving Basic Programs	84.010	2019	2,112,536	0
Total Title I-A Improving Basic Programs			2,479,724	0
<i>Special Education Cluster:</i>				
IDEA-B Special Education	84.027	2018	151,403	0
IDEA-B Special Education	84.027	2019	2,521,391	0
Total IDEA-B Special Education			2,672,794	0
IDEA Preschool Grant	84.173	2018	4,642	0
IDEA Preschool Grant	84.173	2019	79,722	0
Total IDEA Preschool Grant			84,364	0
<i>Total Special Education Cluster</i>				
			2,757,158	0
21st Century Learning	84.287	2018	4,657	0
21st Century Learning	84.287	2019	364,975	0
Total 21st Century Learning			369,632	0
Title III LEP	84.365	2018	5,188	0
Title III LEP	84.365	2019	27,941	0
Total Title III LEP			33,129	0
Title II-A - Supporting Effective Instruction	84.367	2018	38,981	0
Title II-A - Supporting Effective Instruction	84.367	2019	350,134	0
Total Title II-A - Supporting Effective Instruction			389,115	0
Title IV-A Student Support and Academic Enrichment	84.424	2018	12,856	0
Title IV-A Student Support and Academic Enrichment	84.424	2019	152,014	0
Total Title IV-A Student Support and Academic Enrichment			164,870	0
Career and Technical Education - Basic Grants to States	84.048	2018	68,850	0
Career and Technical Education - Basic Grants to States	84.048	2019	191,907	0
Total Career and Technical Education - Basic Grants to States			260,757	0
Education for Homeless Children and Youth	84.196	2018	13,673	0
Hurricane Education Recovery	84.938	2019	1,142	0
Total U.S. Department of Education			6,469,200	0
U. S. Department of Agriculture (Passed Through Ohio Department of Education):				
<i>Child Nutrition Cluster:</i>				
<i>Non-Cash Assistance:</i>				
National School Breakfast Program	10.553	2019	66,243	0
National School Lunch Program	10.555	2019	317,219	0
<i>Cash Assistance:</i>				
School Breakfast Program	10.553	2019	453,771	0
National School Lunch Program	10.555	2019	2,172,980	0
Total Child Nutrition Cluster			3,010,213	0
Total U.S. Department of Agriculture			3,010,213	0
Total Federal Assistance			\$ 9,479,413	\$ 0

See accompanying notes to this schedule

Parma City School District
Cuyahoga County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Fiscal Year Ended June 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Parma City School District (the School District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

Parma City School District
Cuyahoga County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS
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(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	None reported
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material control weaknesses in internal control reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d) (1) (vii)	Major Programs (list): Title I-A Improving Basic Programs	CFDA # 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

Parma City School District
Cuyahoga County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2019 (continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Finding Number: 2019-001 – Noncompliance/Significant Deficiency – Allowable Costs/Cost Principles

Federal Programs: Title I-A Improving Basic Programs

CFDA Numbers: 84.010

Federal Award Number/Year: 2018/2019

Federal Agency: U.S. Department of Education

Pass-Through Entity: Ohio Department of Education (ODE)

Repeat Finding: No

Criteria: For an employee who works on multiple activities or cost objectives (e.g., in part on a Federal program whose funds have not been consolidated in a consolidated schoolwide pool and in part on Federal programs supported with funds consolidated in a schoolwide pool or on activities that are not part of the same cost objective), an Local Educational Agency (LEA) must maintain time and effort distribution records in accordance with 2 CFR section 200.430(i)(1)(vii) that support the portion of time and effort dedicated to: (i) The Federal program or cost objective; and (ii) Each other program or cost objective supported by consolidated Federal funds or other revenue sources.

Condition: During our testing we noted 1 out of 6 employees selected for testing that had salary costs recorded to Title I-A Improving basic Programs without documentation meeting the standards for documentation of personnel expenses described above.

Cause: The School District did not implement policies and procedures to ensure complete and accurate documentation in accordance with standards for documentation of personnel expenses.

Effect: However there is an increased risk of non-compliance related to allowable costs and cost principles.

Recommendation: We recommend the School District establish procedures to ensure documentation of personnel expenses is obtained.

Management's Response: See corrective action plan.



Finance / Treasurer's Office

5311 Longwood Avenue, Parma, Ohio 44134
 Phone: 440.885.2324 Fax: 440.885-8492
 www.parmacityschools.org/finance

Parma City School District
Cuyahoga County, Ohio
Corrective Action Plan
2 CFR § 200.511(c)
June 30, 2019

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	Only one employee failed to complete the time-and-effort documentation. That employee transferred to a school building and is not paid out of any the Title I grant fund in fiscal year 2020. We will diligently work to make sure that employees continue to complete all required documentation with all necessary supervisory approvals.	Will be effective with the January 2020 payroll.	Sean Nuccio

Finance / Treasurer's Office Administration
 Sean Nuccio | Treasurer/CFO
 Pam Bartkowski | Administrative Assistant
 Taylor Friedrich | Assistant Treasurer
 Earnest Bowie III | Payroll Supervisor

District Administration
 Charles Smialek, Ph.D. | Superintendent
 Sean Nuccio | Treasurer/CFO

Board of Education
 John Schweitzer | President
 Steven Vaughn | Vice-President
 Karen S. Dendorfer
 Amanda Karpus
 John M. Tenerowicz

An Equal Opportunity Employer

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OHIO AUDITOR OF STATE
KEITH FABER



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
JANUARY 28, 2020**