



Dave Yost • Auditor of State

**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Parma City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Parma City School District, Cuyahoga County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 23, 2011

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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, 2010. 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 2010 are as follows:

- The School District closed its third elementary building in two years. Staffing cuts continued as a plan to balance the budget for fiscal year 2011. Administrative cuts included the Deputy Superintendent, Risk Manager, an elementary principal and administrative interns.
- The Board of Education imposed an absolute freeze on all employee salaries and wages (no increments or education credits). The Board also raised the health insurance premium share for the certified staff from 5 percent to 15 percent.
- The School District passed the renewal of a \$9,197,860 fixed sum levy for ten years. The School District is still working to pass a levy for new money. The new fixed sum levy failed for the seventh time.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as an entity looks at all financial transactions and asks the question, "How did we do financially during the 2010 fiscal year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for its financial transactions. However, these fund financial statements concentrate on the School District's most significant funds. The School District's major governmental funds are the general fund, the bond retirement debt service fund 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2010 compared to 2009:

Table 1
Net Assets
(In millions)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and Other Assets	\$109.9	\$108.7	\$1.2	\$1.3	\$111.1	\$110.0
Capital Assets, Net	62.3	65.1	0.4	0.4	62.7	65.5
Total Assets	172.2	173.8	1.6	1.7	173.8	175.5
Liabilities						
Current and Other Liabilities	87.8	86.7	0.2	0.2	88.0	86.9
Long-Term Liabilities:						
Due Within One Year	6.3	6.1	0.0	0.0	6.3	6.1
Due in More than One Year	46.7	52.0	0.1	0.1	46.8	52.1
Total Liabilities	140.8	144.8	0.3	0.3	141.1	145.1
Net Assets						
Invested in Capital						
Assets, Net of Related Debt	19.4	17.1	0.4	0.4	19.8	17.5
Restricted						
Capital Projects	2.2	1.3	0.0	0.0	2.2	1.3
Debt Service	0.5	0.8	0.0	0.0	0.5	0.8
Other Purposes	3.3	2.0	0.0	0.0	3.3	2.0
Unrestricted	6.0	7.8	0.9	1.0	6.9	8.8
Total Net Assets	\$31.4	\$29.0	\$1.3	\$1.4	\$32.7	\$30.4

Total assets of governmental activities decreased \$1.6 million. This decrease was due mainly to accounts receivable decreasing \$0.5 million and property taxes receivable decreasing by \$1.1 million. The decrease in property taxes receivable is due to lower tax collections due to a declining economy.

Total liabilities for governmental activities decreased \$4.0 million. This decrease was due mainly to decreased long-term liabilities of \$5.1 million which is a direct result of the fiscal year 2010 debt principal payments being made.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 shows the changes in net assets for the fiscal year 2010 for both our governmental activities and our business-type activities.

Table 2
Change in Net Assets
(In millions)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for Services and Sales	\$5.5	\$5.9	\$3.3	\$3.7	\$8.8	\$9.6
Operating Grants, Contributions, and Interest	15.1	11.8	2.2	1.9	17.3	13.7
Capital Grants and Contributions	0.0	0.5	0.0	0.0	0.0	0.5
<i>Total Program Revenues</i>	<u>20.6</u>	<u>18.2</u>	<u>5.5</u>	<u>5.6</u>	<u>26.1</u>	<u>23.8</u>
General Revenues:						
Property Taxes	83.5	88.0	0.0	0.0	83.5	88.0
Grants and Entitlements	46.1	39.4	0.0	0.0	46.1	39.4
Investment Earnings	0.1	0.5	0.0	0.0	0.1	0.5
Miscellaneous	1.2	1.5	0.0	0.1	1.2	1.6
<i>Total General Revenues</i>	<u>130.9</u>	<u>129.4</u>	<u>0.0</u>	<u>0.1</u>	<u>130.9</u>	<u>129.5</u>
Total Revenues	<u>151.5</u>	<u>147.6</u>	<u>5.5</u>	<u>5.7</u>	<u>157.0</u>	<u>153.3</u>
Program Expenses						
Instruction	86.5	88.8	0.0	0.0	86.5	88.8
Support Services:						
Pupils and Instructional Staff	17.8	16.1	0.0	0.0	17.8	16.1
Board of Education, Administration, Fiscal and Business	16.6	17.0	0.0	0.0	16.6	17.0
Operation and Maintenance of Plant	11.6	13.0	0.0	0.0	11.6	13.0
Pupil Transportation	6.2	6.7	0.0	0.0	6.2	6.7
Central	2.4	2.8	0.0	0.0	2.4	2.8
Operation of Non-Instructional Services	3.3	4.4	0.0	0.0	3.3	4.4
Enterprise Operations	0.0	0.0	5.6	5.5	5.6	5.5
Extracurricular Activities	2.8	3.2	0.0	0.0	2.8	3.2
Interest and Fiscal Charges	1.9	2.2	0.0	0.0	1.9	2.2
Total Program Expenses	<u>149.1</u>	<u>154.2</u>	<u>5.6</u>	<u>5.5</u>	<u>154.7</u>	<u>159.7</u>
Change in Net Assets	2.4	(6.6)	(0.1)	0.2	2.3	(6.4)
<i>Net Assets Beginning of Year</i>	<u>29.0</u>	<u>35.6</u>	<u>1.4</u>	<u>1.2</u>	<u>30.4</u>	<u>36.8</u>
<i>Net Assets End of Year</i>	<u><u>\$31.4</u></u>	<u><u>\$29.0</u></u>	<u><u>\$1.3</u></u>	<u><u>\$1.4</u></u>	<u><u>\$32.7</u></u>	<u><u>\$30.4</u></u>

Total governmental activities net assets increased \$2.4 million. Property taxes decreased \$4.5 million due to a decrease in collections by the county because of current economic conditions; grants, including operating grants and grants and entitlements increased \$9.5 million due to increases in personal property tax reimbursements from the State.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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

Our School District, which is dependent upon property taxes, is hampered by a lack of revenue growth and must periodically ask the voters to increase property taxes to maintain a constant level of service. Property taxes made up just over 55 percent of revenues for governmental activities for the School District in fiscal year 2010.

The largest Governmental Activities program expense remains instruction, comprising approximately 58 percent of total expenses. When combined with pupils and instructional support these categories make up just under 70 percent of expenses.

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

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

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

Table 3
 Governmental Activities
 (In millions)

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Instruction	\$86.5	\$79.4	\$88.8	\$81.7
Support Services:				
Pupils and Instructional Staff	17.8	12.3	16.1	12.6
Board of Education, Administration				
Fiscal and Business	16.6	14.4	17.0	15.4
Operation and Maintenance of Plant	11.6	11.2	13.0	12.5
Pupil Transportation	6.2	5.8	6.7	6.2
Central	2.4	2.3	2.8	2.6
Operation of Non-Instructional Services	3.3	(0.8)	4.4	0.5
Extracurricular Activities	2.8	2.0	3.2	2.3
Interest and Fiscal Charges	1.9	1.9	2.2	2.2
Total	\$149.1	\$128.5	\$154.2	\$136.0

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The dependence upon tax revenues for governmental activities is apparent. Approximately 92 percent of instruction activities are supported through taxes and other general revenues. Our three communities are responsible for the primary support for Parma City School District students.

Business-Type Activities

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

Overall net assets decreased \$0.1 million in 2010. Business-type activities cash positions have allowed individual business-type activities to absorb additional program expenses over the last several years.

The School District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. The general fund had total revenues of \$127.3 million and expenditures of \$131.2 million. The net change in fund balance for the year was a decrease of \$4.1 million. This change was due to decreased revenues from taxes and decreased investment earnings.

The bond retirement debt service fund had total revenues of \$4.8 million and expenditures of \$3.8 million. The net change in fund balance for the year was an increase of \$1 million.

The permanent improvement capital projects fund had total revenues of \$1.6 million and expenditures of \$2.3 million. The net change in fund balance for the year was a decrease of \$0.7 million. The costs of maintaining the School District's facilities are outpacing the tax revenues received to pay for them.

General Fund Budgeting Highlights

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

For the general fund, original and final budget basis estimated revenues were \$125.7 million and \$129.6 million, respectively. This increase of \$3.9 million was due to a conservative approach to revenue estimates at the beginning of the fiscal year. Total actual revenues were \$129.6 million.

During the course of fiscal year 2010, the School District amended its general fund budget several times. Final appropriations for the general fund increased by \$0.3 million from the original appropriations due to the inclusion of additional appropriations which were mainly to advance money to other funds. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$132.0 million.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$62.7 million invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles, \$62.3 million of which is in governmental activities. Table 4 shows fiscal 2010 balances compared to fiscal 2009:

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$5.1	\$5.1	\$0.0	\$0.0	\$5.1	\$5.1
Land Improvements	8.4	9.0	0.0	0.0	8.4	9.0
Buildings and Improvements	41.5	43.1	0.0	0.0	41.5	43.1
Furniture and Equipment	4.7	5.2	0.4	0.4	5.1	5.6
Vehicles	2.6	2.7	0.0	0.0	2.6	2.7
Totals	\$62.3	\$65.1	\$0.4	\$0.4	\$62.7	\$65.5

For fiscal year 2010, an Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and other instructional materials; this amounted to \$2 million for each set aside. For fiscal year 2010, the School District had qualifying disbursements or offsets exceeding these requirements. See Note 8 to the basic financial statements for additional information on capital assets.

Debt

At June 30, 2010, the School District had \$41.6 million in notes, loans, and certificates of participation outstanding, with \$4.9 million due within one year. The debt will be serviced with tax revenue from the March 2000 2.0 mill permanent improvement levy, the May 2005 1.0 mill permanent improvement levy, and general property tax revenue. Table 5 summarizes the outstanding debt.

Parma City School District
Management's Discussion and Analysis
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Unaudited

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

	Governmental Activities	
	2010	2009
2002 Construction Note	\$6.9	\$9.0
2006 Construction Note	7.1	8.2
2006 Construction Note Unamortized Premium	0.1	0.1
2003 Energy Conservation Loan (Phase IV)	1.3	1.5
2004 Energy Conservation Loan (Phase V)	3.8	4.3
2004 Energy Conservation Loan (Phase VI)	3.7	4.0
2005 Energy Conservation Loan (Phase VII)	1.8	2.0
2006 Energy Conservation Loan (Phase VIII & IX)	2.7	2.9
2008 Energy Conservation Loan (Phase X)	2.2	2.3
2006 Certificates of Participation	12.1	12.3
2006 Certificates of Participation Unamortized Discount	(0.1)	(0.1)
Totals	<u>\$41.6</u>	<u>\$46.5</u>

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

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

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

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

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

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

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

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

At June 30, 2010, the School District's overall legal debt margin was \$203.6 million with an unvoted debt margin of \$2.3 million. See Note 14 to the basic financial statements for additional information on debt.

Parma City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

School District Outlook

The year 2010 brought change to the School District. Two new board members took oath. That Board has appointed a new Chief Financial Officer, who started in February 2010. And, in August 2010, the new Superintendent started. This new leadership has established the reorganization of the School District leadership with the goal of doing more with less.

The School District continues to seek new operating money. The Board of Education is deliberating the options for a levy question in May 2011. The School District needs to pass new money before the end of fiscal year 2011 to hold off a deficit in fiscal year 2012 and beyond. The financial condition of the State gives strong uncertainty to it maintaining basic support. At the same time, the State continues to pass more unfunded mandates. The latest example is the automatic waiver of instructional fees for those qualifying for the Federal free lunch program. Community schools and other education alternatives further erode student enrollment. Tuition to community schools grew eleven percent over 2009.

The Facilities Integration Team (FIT) used the year to study further consolidation options for the School District. The FIT report is due to the Superintendent before month end of January 2011.

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

Contacting the School District Fiscal Management

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

Basic Financial Statements

Parma City School District

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$16,651,147	\$1,566,743	\$18,217,890
Accounts Receivable	546,652	96,608	643,260
Intergovernmental Receivable	2,428,092	0	2,428,092
Internal Balances	423,205	(423,205)	0
Materials and Supplies Inventory	282,931	0	282,931
Inventory Held for Resale	0	11,622	11,622
Property Taxes Receivable	89,018,239	0	89,018,239
Deferred Charges	457,635	0	457,635
Nondepreciable Capital Assets	5,096,730	0	5,096,730
Depreciable Capital Assets, Net	57,247,888	382,087	57,629,975
<i>Total Assets</i>	<u>172,152,519</u>	<u>1,633,855</u>	<u>173,786,374</u>
Liabilities			
Accounts Payable	2,455,632	2,083	2,457,715
Contracts Payable	11,877	0	11,877
Accrued Wages and Benefits	9,322,531	62,094	9,384,625
Intergovernmental Payable	5,145,129	123,470	5,268,599
Deferred Revenue	68,807,145	0	68,807,145
Accrued Interest Payable	110,355	0	110,355
Claims Payable	1,860,069	0	1,860,069
Long-Term Liabilities:			
Due Within One Year	6,344,682	10,447	6,355,129
Due In More Than One Year	46,730,428	91,322	46,821,750
<i>Total Liabilities</i>	<u>140,787,848</u>	<u>289,416</u>	<u>141,077,264</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	19,386,325	382,087	19,768,412
Restricted for:			
Capital Projects	2,170,747	0	2,170,747
Debt Service	482,243	0	482,243
Public School Support	466,829	0	466,829
District Managed Student Activities	351,791	0	351,791
Auxiliary Services	740,474	0	740,474
Miscellaneous State Grants	217,344	0	217,344
Adult Basic Education	287,408	0	287,408
Title VI-B Grant	360,429	0	360,429
Title I Grant	444,569	0	444,569
Other Purposes	438,352	0	438,352
Unrestricted	6,018,160	962,352	6,980,512
<i>Total Net Assets</i>	<u>\$31,364,671</u>	<u>\$1,344,439</u>	<u>\$32,709,110</u>

See accompanying notes to the basic financial statements

Parma City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest
Governmental Activities			
Instruction:			
Regular	\$62,418,985	\$2,240,055	\$392,368
Special	19,472,687	590,920	3,199,422
Vocational	3,972,138	135,410	7,421
Adult/Continuing	328,442	251	510,603
Student Intervention Services	261,513	806	19,825
Support Services:			
Pupils	10,083,339	295,876	1,663,994
Instructional Staff	7,686,455	184,849	3,346,629
Board of Education	700,338	25,977	841
Administration	11,639,671	407,604	795,818
Fiscal	3,092,635	84,197	777,475
Business	1,177,944	32,335	1,047
Operation and Maintenance of Plant	11,605,621	352,833	11,495
Pupil Transportation	6,225,520	222,332	195,804
Central	2,422,046	100,021	26,021
Operation of Non-Instructional Services	3,337,261	2,283	4,102,693
Extracurricular Activities	2,807,131	837,626	18,299
Interest and Fiscal Charges	1,873,221	0	0
<i>Total Governmental Activities</i>	<u>149,104,947</u>	<u>5,513,375</u>	<u>15,069,755</u>
Business-Type Activities			
Food Service	4,266,459	2,089,499	2,081,848
Adult Continuing Education	80,390	100,388	29,170
Extended Day Care/Preschool	1,293,868	1,172,679	77,830
<i>Total Business-Type Activities</i>	<u>5,640,717</u>	<u>3,362,566</u>	<u>2,188,848</u>
<i>Totals</i>	<u>\$154,745,664</u>	<u>\$8,875,941</u>	<u>\$17,258,603</u>

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Capital Projects

Grants and Entitlements not

Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$59,786,562)	\$0	(\$59,786,562)
(15,682,345)	0	(15,682,345)
(3,829,307)	0	(3,829,307)
182,412	0	182,412
(240,882)	0	(240,882)
(8,123,469)	0	(8,123,469)
(4,154,977)	0	(4,154,977)
(673,520)	0	(673,520)
(10,436,249)	0	(10,436,249)
(2,230,963)	0	(2,230,963)
(1,144,562)	0	(1,144,562)
(11,241,293)	0	(11,241,293)
(5,807,384)	0	(5,807,384)
(2,296,004)	0	(2,296,004)
767,715	0	767,715
(1,951,206)	0	(1,951,206)
(1,873,221)	0	(1,873,221)
(128,521,817)	0	(128,521,817)
0	(95,112)	(95,112)
0	49,168	49,168
0	(43,359)	(43,359)
0	(89,303)	(89,303)
(128,521,817)	(89,303)	(128,611,120)
78,238,950	0	78,238,950
4,033,197	0	4,033,197
1,213,876	0	1,213,876
46,088,223	0	46,088,223
56,734	28	56,762
1,229,563	21,962	1,251,525
130,860,543	21,990	130,882,533
2,338,726	(67,313)	2,271,413
29,025,945	1,411,752	30,437,697
\$31,364,671	\$1,344,439	\$32,709,110

See accompanying notes to the basic financial statements

Parma City School District

Balance Sheet

Governmental Funds

June 30, 2010

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$7,763,213	\$1,823,845	\$405,543	\$2,749,623	\$12,742,224
Accounts Receivable	545,937	0	416	299	546,652
Intergovernmental Receivable	0	0	0	2,428,092	2,428,092
Interfund Receivable	2,141,419	0	0	0	2,141,419
Materials and Supplies Inventory	282,931	0	0	0	282,931
Property Taxes Receivable	83,450,312	3,557,518	2,010,409	0	89,018,239
<i>Total Assets</i>	<u>\$94,183,812</u>	<u>\$5,381,363</u>	<u>\$2,416,368</u>	<u>\$5,178,014</u>	<u>\$107,159,557</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$2,002,211	\$0	\$95,758	\$357,663	\$2,455,632
Contracts Payable	0	0	11,877	0	11,877
Accrued Wages and Benefits	8,538,517	0	2,474	781,540	9,322,531
Intergovernmental Payable	4,689,568	0	5,214	450,347	5,145,129
Interfund Payable	0	617,823	150,000	950,391	1,718,214
Deferred Revenue	72,111,311	3,046,676	1,721,723	2,142,530	79,022,240
<i>Total Liabilities</i>	<u>87,341,607</u>	<u>3,664,499</u>	<u>1,987,046</u>	<u>4,682,471</u>	<u>97,675,623</u>
Fund Balances					
Reserved for Encumbrances	736,550	0	106,966	108,097	951,613
Reserved for Property Taxes	11,717,990	510,842	288,685	0	12,517,517
Unreserved, Undesignated Reported in:					
General Fund (Deficit)	(5,612,335)	0	0	0	(5,612,335)
Special Revenue Funds	0	0	0	867,337	867,337
Debt Service Fund	0	1,206,022	0	0	1,206,022
Capital Projects Funds (Deficit)	0	0	33,671	(479,891)	(446,220)
<i>Total Fund Balances</i>	<u>6,842,205</u>	<u>1,716,864</u>	<u>429,322</u>	<u>495,543</u>	<u>9,483,934</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$94,183,812</u>	<u>\$5,381,363</u>	<u>\$2,416,368</u>	<u>\$5,178,014</u>	<u>\$107,159,557</u>

See accompanying notes to the basic financial statements

Parma City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities*
 June 30, 2010

Total Governmental Fund Balances	\$9,483,934
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	62,344,618
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Delinquent Property Taxes	\$7,693,576
Grants	2,142,530
Tuition and Fees	378,989

Total	10,215,095
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Unamortized issuance costs represent deferred charges, which do not provide current financial resources and, therefore, are not reported in the funds.	457,635
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(110,355)
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Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.

Notes Payable	(13,985,000)
Premium on Notes	(96,194)
Loans Payable	(15,613,307)
Certificates of Participation Payable	(12,055,000)
Discount on Certificates of Participation	67,212
Capital Lease Payable	(1,829,833)
Compensated Absences	(9,562,988)

Total	(53,075,110)
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The internal service fund is used by management to charge the costs of insurance. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	2,048,854
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<i>Net Assets of Governmental Activities</i>	\$31,364,671
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See accompanying notes to the basic financial statements

Parma City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$77,677,935	\$4,000,194	\$1,200,480	\$0	\$82,878,609
Intergovernmental	44,393,864	774,759	374,993	14,674,944	60,218,560
Interest	54,864	0	306	1,564	56,734
Tuition and Fees	2,131,356	0	0	0	2,131,356
Extracurricular Activities	940,509	0	0	710,469	1,650,978
Rentals	97,495	0	416	0	97,911
Charges for Services	1,573,641	0	0	74,500	1,648,141
Contributions and Donations	153,027	0	0	17,545	170,572
Miscellaneous	309,073	0	13,676	906,814	1,229,563
<i>Total Revenues</i>	<u>127,331,764</u>	<u>4,774,953</u>	<u>1,589,871</u>	<u>16,385,836</u>	<u>150,082,424</u>
Expenditures					
Current:					
Instruction:					
Regular	60,024,551	0	0	600,648	60,625,199
Special	16,048,304	0	0	3,860,284	19,908,588
Vocational	3,608,556	0	0	345,147	3,953,703
Adult/Continuing	8,651	0	0	317,938	326,589
Student Intervention Services	22,152	0	0	239,361	261,513
Support Services:					
Pupils	7,967,301	0	0	2,234,978	10,202,279
Instructional Staff	5,004,891	0	0	3,105,426	8,110,317
Board of Education	711,398	0	0	0	711,398
Administration	10,920,103	0	0	858,841	11,778,944
Fiscal	3,013,476	0	118,049	593	3,132,118
Business	872,927	0	182,152	0	1,055,079
Operation and Maintenance of Plant	10,918,614	0	106,735	0	11,025,349
Pupil Transportation	5,926,464	0	225,775	200,340	6,352,579
Central	2,393,082	0	0	63,878	2,456,960
Operation of Non-Instructional Services	62,745	0	0	3,385,840	3,448,585
Extracurricular Activities	1,516,456	0	0	1,231,983	2,748,439
Capital Outlay	18,988	0	495,931	22,227	537,146
Debt Service:					
Principal Retirement	1,412,371	3,170,000	543,913	0	5,126,284
Interest and Fiscal Charges	739,943	607,660	598,397	0	1,946,000
<i>Total Expenditures</i>	<u>131,190,973</u>	<u>3,777,660</u>	<u>2,270,952</u>	<u>16,467,484</u>	<u>153,707,069</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,859,209)</u>	<u>997,293</u>	<u>(681,081)</u>	<u>(81,648)</u>	<u>(3,624,645)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	22,734	0	0	0	22,734
Transfers In	0	0	0	267,821	267,821
Transfers Out	(267,821)	0	0	0	(267,821)
<i>Total Other Financing Sources (Uses)</i>	<u>(245,087)</u>	<u>0</u>	<u>0</u>	<u>267,821</u>	<u>22,734</u>
<i>Net Change in Fund Balances</i>	<u>(4,104,296)</u>	<u>997,293</u>	<u>(681,081)</u>	<u>186,173</u>	<u>(3,601,911)</u>
<i>Fund Balances Beginning of Year</i>	<u>10,946,501</u>	<u>719,571</u>	<u>1,110,403</u>	<u>309,370</u>	<u>13,085,845</u>
<i>Fund Balances End of Year</i>	<u>\$6,842,205</u>	<u>\$1,716,864</u>	<u>\$429,322</u>	<u>\$495,543</u>	<u>\$9,483,934</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, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$3,601,911)

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

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

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

Capital Outlay	\$957,638	
Depreciation	(3,678,155)	
Total		(2,720,517)

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. (42,079)

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

Delinquent Property Taxes	607,414	
Grants	768,846	
Tuition and Fees	(15,011)	
Total		1,361,249

Repayment of bond, loan, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 5,126,284

In the statement of activities, interest is accrued on outstanding debt.

Debt premiums, debt discounts, and debt issuance costs are amortized over the term of the debt, whereas in governmental funds an interest expenditure is reported when due and premiums, discounts, and bond issuance costs are reported when the debt is due.

Accrued Interest	126,513	
Amortization of Debt Premiums	16,032	
Amortization of Debt Discounts	(8,401)	
Amortization of Issuance Costs	(61,365)	
Total		72,779

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. (136,699)

An internal service fund used by management to charge the cost of insurance to individual funds is not reported in the expenditures and related internal service fund revenue is eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental and business-type activities. 2,279,620

Change in Net Assets of Governmental Activities \$2,338,726

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, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$78,725,728	\$79,810,539	\$79,810,539	\$0
Intergovernmental	42,689,389	44,393,864	44,393,864	0
Interest	50,000	54,864	54,864	0
Tuition and Fees	993,048	2,071,757	2,131,292	59,535
Extracurricular Activities	900,553	940,509	940,509	0
Rentals	0	276,732	276,732	0
Charges for Services	1,434,750	1,573,641	1,573,641	0
Contributions and Donations	169,957	153,027	153,027	0
Miscellaneous	715,373	314,978	258,369	(56,609)
<i>Total Revenues</i>	<u>125,678,798</u>	<u>129,589,911</u>	<u>129,592,837</u>	<u>2,926</u>
Expenditures				
Current:				
Instruction:				
Regular	58,447,929	60,712,963	60,712,963	0
Special	15,739,200	15,550,631	15,550,631	0
Vocational	3,613,597	3,675,397	3,675,397	0
Adult/Continuing	8,687	8,651	8,651	0
Student Intervention Services	110,947	45,980	45,980	0
Support Services:				
Pupils	7,637,009	8,259,691	8,259,691	0
Instructional Staff	5,342,266	4,933,627	4,933,627	0
Board of Education	872,965	806,364	806,364	0
Administration	11,252,425	10,908,087	10,908,087	0
Fiscal	4,033,132	3,034,208	3,034,208	0
Business	1,098,394	928,452	928,451	1
Operation and Maintenance of Plant	12,965,087	11,002,806	11,002,806	0
Pupil Transportation	6,917,314	5,977,194	5,977,194	0
Central	3,191,761	2,472,961	2,472,961	0
Operation of Non-Instructional Services	6,821	28,127	28,127	0
Extracurricular Activities	848,258	1,511,649	1,511,649	0
Capital Outlay	53,336	33,167	33,167	0
Debt Service:				
Principal Retirement	0	1,412,371	1,412,371	0
Interest and Fiscal Charges	0	739,943	739,943	0
<i>Total Expenditures</i>	<u>132,139,128</u>	<u>132,042,269</u>	<u>132,042,268</u>	<u>1</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(6,460,330)</u>	<u>(2,452,358)</u>	<u>(2,449,431)</u>	<u>2,927</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	15,000	22,734	22,734	0
Advances In	646,800	1,881,800	1,881,800	0
Advances Out	(450,000)	(675,650)	(675,650)	0
Transfers Out	(85,128)	(267,821)	(267,821)	0
<i>Total Other Financing Sources (Uses)</i>	<u>126,672</u>	<u>961,063</u>	<u>961,063</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(6,333,658)</u>	<u>(1,491,295)</u>	<u>(1,488,368)</u>	<u>2,927</u>
<i>Fund Balance Beginning of Year</i>	5,994,398	5,994,398	5,994,398	0
Prior Year Encumbrances Appropriated	1,767,054	1,767,054	1,767,054	0
<i>Fund Balance End of Year</i>	<u>\$1,427,794</u>	<u>\$6,270,157</u>	<u>\$6,273,084</u>	<u>\$2,927</u>

Parma City School District
Statement of Fund Net Assets
Proprietary Funds
June 30, 2010

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
Assets		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$1,566,743	\$3,908,923
Accounts Receivable	96,608	0
Inventory Held for Resale	11,622	0
<i>Total Current Assets</i>	1,674,973	3,908,923
<i>Noncurrent Assets:</i>		
Capital Assets, Net	382,087	0
<i>Total Assets</i>	2,057,060	3,908,923
Liabilities		
<i>Current Liabilities:</i>		
Accounts Payable	2,083	0
Accrued Wages and Benefits	62,094	0
Claims Payable	0	1,860,069
Compensated Absences Payable	10,447	0
Intergovernmental Payable	123,470	0
Interfund Payable	423,205	0
<i>Total Current Liabilities</i>	621,299	1,860,069
<i>Long-Term Liabilities:</i>		
Compensated Absences Payable	91,322	0
<i>Total Liabilities</i>	712,621	1,860,069
Net Assets		
Invested in Capital Assets	382,087	0
Unrestricted	962,352	2,048,854
<i>Total Net Assets</i>	\$1,344,439	\$2,048,854

See accompanying notes to the basic financial statements

Parma City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010*

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
Operating Revenues		
Tuition	\$1,237,101	\$0
Sales	2,125,465	0
Charges for Services	0	20,120,119
Miscellaneous	21,962	0
<i>Total Operating Revenues</i>	<u>3,384,528</u>	<u>20,120,119</u>
Operating Expenses		
Salaries	2,029,923	0
Fringe Benefits	947,963	0
Purchased Services	514,130	1,030,803
Materials and Supplies	421,400	0
Cost of Sales	1,672,339	0
Depreciation	39,752	0
Claims	0	16,809,696
Other	15,210	0
<i>Total Operating Expenses</i>	<u>5,640,717</u>	<u>17,840,499</u>
<i>Operating Income (Loss)</i>	(2,256,189)	2,279,620
Non-Operating Revenues		
Interest	28	0
Operating Grants	2,188,848	0
<i>Change in Net Assets</i>	(67,313)	2,279,620
<i>Net Assets Beginning of Year</i>	<u>1,411,752</u>	<u>(230,766)</u>
<i>Net Assets End of Year</i>	<u><u>\$1,344,439</u></u>	<u><u>\$2,048,854</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, 2010

	Non-Major Enterprise Funds	Governmental Activities - Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$3,405,862	\$20,120,119
Other Cash Receipts	21,962	0
Cash Payments to Employees for Services	(2,025,071)	0
Cash Payments for Employee Benefits	(936,084)	0
Cash Payments for Goods and Services	(2,408,637)	(1,030,803)
Cash Payments for Claims	0	(17,082,110)
Other Cash Payments	(15,210)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	(1,957,178)	2,007,206
Cash Flows from Noncapital Financing Activities		
Operating Grants Received	2,041,863	0
Cash Flows from Capital and Related Financing Activities		
Disposal of Capital Assets	13,670	0
Payments for Capital Acquisitions	(74,191)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	(60,521)	0
Cash Flows from Investing Activities		
Interest on Investments	28	0
<i>Net Increase in Cash and Cash Equivalents</i>	24,192	2,007,206
<i>Cash and Cash Equivalents Beginning of Year</i>	1,542,551	1,901,717
<i>Cash and Cash Equivalents End of Year</i>	\$1,566,743	\$3,908,923
See accompanying notes to the basic financial statements		(continued)

Parma City School District
Statement of Cash Flows
Proprietary Funds (continued)
For the Fiscal Year Ended June 30, 2010

	<u>Non-Major Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating Income (Loss)	(\$2,256,189)	\$2,279,620
Adjustments:		
Depreciation	39,752	0
Donated Commodities Received During the Year	198,009	0
Decrease in Assets:		
Accounts Receivable	43,296	0
Inventory Held for Resale	5,868	0
Increase (Decrease) in Liabilities:		
Accounts Payable	(8,783)	0
Accrued Wages and Benefits	13,146	0
Compensated Absences Payable	2,331	0
Intergovernmental Payable	5,392	0
Claims Payable	0	(272,414)
	<u>0</u>	<u>(272,414)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>(\$1,957,178)</u></u>	<u><u>\$2,007,206</u></u>

Noncash Activity:

The Food Service Fund received \$198,009 in donated commodities

See accompanying notes to the basic financial statements

Parma City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$479,877</u>
Liabilities	
Undistributed Monies	\$30,786
Due to Students	<u>449,091</u>
<i>Total Liabilities</i>	<u>\$479,877</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, 2010

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and federal agencies. This Board of Education controls the School District's twenty-two instructional/support facilities staffed by 746 noncertified and 942 certificated full time teaching personnel who provide services to 12,466 students and other community members.

Reporting Entity

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

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

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

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

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

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

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

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. The fiduciary funds are reported by type.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the School District are divided into three categories: governmental, proprietary and fiduciary.

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

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

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

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

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

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

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

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

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Measurement Focus

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

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Cash and Cash Equivalents

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

At June 30, 2010, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2010.

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 2010 amounted to \$54,864 which includes \$34,565 assigned from other School District funds.

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

Inventory

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

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Bond Issuance Costs

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

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$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 assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Net Assets

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

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

Fund Balance Reserves

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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.

Contributions of Capital

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

Internal Activity

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

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

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 Chief Financial Officer/Budget Director has been given the authority to allocate Board appropriations to the function and object levels.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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

Note 3 - Changes in Accounting Principles

Change in Accounting Principles

For fiscal year 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Reporting for Intangible Assets", Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 4 - Accountability

Fund balances at June 30, 2010, included the following individual fund deficits:

Fund	Amount
<i>Special Revenue Funds:</i>	
Alternative Schools	\$4,625
State Grants	3,699
Adult Basic Education	9,844
Title VI-B	295,239
Vocational Education	49,454
State Fiscal Stabilization	230,652
Title II-D Technology	3,281
Title I Subsidiary A	1,404
Title I	215,333
Title VI	441
Drug Free Schools	1,578
Preschool Grants	1,103
Title VI-R	62,669
Other	19,970
<i>Capital Projects Fund:</i>	
Turf Replacement	706,265
<i>Enterprise Fund:</i>	
Adult Continuing Education	155,368

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

Note 5 - Budgetary Basis of Accounting

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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

Net Change in Fund Balance	
GAAP Basis	(\$4,104,296)
Net Adjustment for Revenue Accruals	2,261,073
Advances In	1,881,800
Net Adjustment for Expenditure Accruals	638,834
Advances Out	(675,650)
Adjustment for Encumbrances	<u>(1,490,129)</u>
Budget Basis	<u><u>(\$1,488,368)</u></u>

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and banker's acceptances if training requirements have been met.

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

Investments

As of June 30, 2010, the School District only had an investment of \$14,787,303 in STAR Ohio, the State Treasurer's Investment Pool. This investment has an average maturity of 56 days.

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

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 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.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late settlement of tangible personal property taxes and 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 revenue.

The amount available as an advance at June 30, 2010 was \$11,717,990 in the general fund, \$510,842 in the bond retirement debt service fund, and \$288,685 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2009, was \$13,701,808 in the general fund, \$579,696 in the bond retirement debt service fund and \$338,436 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$2,451,009,790	98.27 %	\$2,233,013,870	98.71 %
Public Utility Personal	27,545,020	1.10	29,282,150	1.29
General Business Personal	15,638,936	0.63	0	0.00
Total	\$2,494,193,746	100.00 %	\$2,262,296,020	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$65.10		 \$66.00	

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

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$5,096,730	\$0	\$0	\$5,096,730
<i>Capital Assets, being depreciated:</i>				
Land Improvements	15,145,881	0	0	15,145,881
Buildings and Improvements	95,482,391	0	0	95,482,391
Furniture and Equipment	14,957,122	551,736	(648,557)	14,860,301
Vehicles	7,338,386	405,902	(174,058)	7,570,230
<i>Total Capital Assets, being depreciated</i>	<i>132,923,780</i>	<i>957,638</i>	<i>(822,615)</i>	<i>133,058,803</i>
Less Accumulated Depreciation:				
Land Improvements	(6,144,809)	(577,590)	0	(6,722,399)
Buildings and Improvements	(52,424,083)	(1,571,597)	0	(53,995,680)
Furniture and Equipment	(9,717,867)	(1,001,677)	606,479	(10,113,065)
Vehicles	(4,626,537)	(527,291)	174,057	(4,979,771)
Total Accumulated Depreciation	(72,913,296)	(3,678,155) *	780,536	(75,810,915)
Total Capital Assets, being depreciated, net	60,010,484	(2,720,517)	(42,079)	57,247,888
Governmental Activities Capital Assets, Net	\$65,107,214	(\$2,720,517)	(\$42,079)	\$62,344,618

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,892,654
Special	44,842
Vocational	43,027
Adult/Continuing	1,853
Support Services:	
Pupils	79,924
Instructional Staff	29,991
Board of Education	2,034
Administration	45,880
Fiscal	11,767
Business	149,802
Operation and Maintenance of Plant	804,284
Pupil Transportation	390,681
Central	16,057
Operation of Non-Instructional Services	56,043
Extracurricular Activities	109,316
Total Depreciation Expense	<u><u>\$3,678,155</u></u>

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Business-Type Activities				
Buildings and Improvements	\$7,638	\$0	\$0	\$7,638
Furniture and Equipment	1,766,526	74,191	(39,937)	1,800,780
Vehicles	23,132	0	0	23,132
Totals at Historical Cost	<u>1,797,296</u>	<u>74,191</u>	<u>(39,937)</u>	<u>1,831,550</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,734)	(196)	0	(1,930)
Furniture and Equipment	(1,421,522)	(39,556)	26,267	(1,434,811)
Vehicles	(12,722)	0	0	(12,722)
Total Accumulated Depreciation	<u>(1,435,978)</u>	<u>(39,752)**</u>	<u>26,267</u>	<u>(1,449,463)</u>
Business-Type Activities Capital Asset, Net	<u><u>\$361,318</u></u>	<u><u>\$34,439</u></u>	<u><u>(\$13,670)</u></u>	<u><u>\$382,087</u></u>

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

Food Service	\$30,700
Adult Continuing Education	431
Extended Daycare/Preschool	8,621
Total Depreciation Expense	<u><u>\$39,752</u></u>

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 9 - Receivables

Receivables at June 30, 2010, consisted of taxes, accounts (rent and tuition), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except for delinquent property taxes and certain interfund receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

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

<u>Governmental Activities</u>	<u>Amounts</u>
Title VI-B	\$698,288
Title I	660,278
Adult Basic Education	308,794
Auxiliary Services	269,697
State Grants	221,043
Title VI-R	87,657
Preschool Grant	82,073
Limited English Proficiency	55,083
Vocational Education	24,451
Other Grants	15,865
Title II Technology	3,564
Drug Free Schools	1,299
Total Governmental Activities	<u><u>\$2,428,092</u></u>

Note 10 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. At June 30, 2010, the School District contracted with the following insurance companies:

<u>Company</u>	<u>Type of Coverage</u>	<u>Limit</u>	<u>Deductible</u>
Argonaut Insurance Company	Auto Liability	\$1,000,000	\$1,000
	Comprehensive General Liability		
	General Liability	1,000,000	N/A
	Personal Injury	1,000,000	N/A
	General Aggregate	3,000,000	N/A
	Errors and Omissions	1,000,000	10,000
	School Leaders' Error and Omissions	1,000,000	10,000
	Property Coverage		
	Blanket Building and Contents	297,658,867	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.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Self-Insurance

The claims liability of \$1,860,069 reported in the internal service fund at June 30, 2010, 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 2009 and 2010 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2009	\$0	\$16,846,760	\$14,714,277	\$2,132,483
2010	2,132,483	16,809,696	17,082,110	1,860,069

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 11 – Defined Benefit Pension Plans

School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$2,433,157, \$1,827,084 and \$1,876,640, respectively; 36.14 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal year 2009 and 2008.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$8,298,221, \$8,630,865, and \$8,592,035, respectively; 72.79 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$303,873 made by the School District and \$217,052 made by the plan members.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 12 - Postemployment Benefits

School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800. During fiscal year 2010, the School District paid \$286,346 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$373,924, \$1,142,912, and \$1,162,675 respectively; 36.14 percent has been contributed for fiscal years 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008, were \$144,695, \$150,750, and \$135,216 respectively; 36.14 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

State Teachers Retirement System

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$638,325, \$663,913, and \$660,926 respectively; 72.79 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 13 - Other Employee Benefits

Compensated Absences

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

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

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

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

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Insurance Benefits

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

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

Note 14 - Long-Term Obligations

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

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

	Principal Outstanding 6/30/2009	Additions	(Reductions)	Principal Outstanding 6/30/2010	Amount Due in One Year
Governmental Activities:					
2002 Construction Note	\$8,980,000	\$0	(\$2,120,000)	\$6,860,000	\$2,195,000
2006 Construction Note	8,175,000	0	(1,050,000)	7,125,000	1,080,000
Unamortized Premium on Construction Note	112,226	0	(16,032)	96,194	0
2003 Energy Conservation Loan (Phase IV)	1,443,000	0	(154,000)	1,289,000	160,000
2004 Energy Conservation Loan (Phase V)	4,306,000	0	(465,000)	3,841,000	483,000
2004 Energy Conservation Loan (Phase VI)	4,030,918	0	(328,976)	3,701,942	343,576
2005 Energy Conservation Loan (Phase VII)	1,986,644	0	(143,230)	1,843,414	149,734
2006 Energy Conservation Loan (Phases VIII & IX)	2,933,064	0	(190,795)	2,742,269	199,185
2008 Energy Conservation Loan (Phase X)	2,326,052	0	(130,370)	2,195,682	136,023
2006 Certificates of Participation	12,235,000	0	(180,000)	12,055,000	190,000
Unamortized Discount on Certificates of Participation	(75,613)	0	8,401	(67,212)	0
Capital Lease	2,193,746	0	(363,913)	1,829,833	383,424
Compensated Absences	9,426,289	1,061,388	(924,689)	9,562,988	1,024,740
Total Governmental Activities	\$58,072,326	\$1,061,388	(\$6,058,604)	\$53,075,110	\$6,344,682
Business-Type Activities:					
Compensated Absences	\$99,438	\$14,762	(\$12,431)	\$101,769	\$10,447

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

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

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

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

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

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The School District's overall legal debt margin was \$203,606,642 with an unvoted debt margin of \$2,262,296 at June 30, 2010. Principal and interest requirements to retire the debt outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	Construction Notes		Energy Conservation Loans	
	Principal	Interest	Principal	Interest
	2011	\$3,275,000	\$484,156	\$1,471,518
2012	3,415,000	350,506	1,535,223	609,507
2013	3,540,000	218,563	1,602,552	542,232
2014	1,205,000	129,588	1,672,581	472,017
2015	1,250,000	83,500	1,746,383	397,598
2016-2020	1,300,000	29,250	6,741,850	879,369
2021-2025	0	0	843,200	45,067
Total	\$13,985,000	\$1,295,563	\$15,613,307	\$3,619,743

Fiscal Year Ending June 30,	Certificates of Participation		Total	
	Principal	Interest	Principal	Interest
	2011	\$190,000	\$473,425	\$4,936,518
2012	200,000	465,625	5,150,223	1,425,638
2013	210,000	457,425	5,352,552	1,218,220
2014	1,990,000	415,912	4,867,581	1,017,517
2015	2,060,000	337,400	5,056,383	818,498
2016-2020	7,405,000	425,500	15,446,850	1,334,119
2021-2025	0	0	843,200	45,067
Total	\$12,055,000	\$2,575,287	\$41,653,307	\$7,490,593

Note 15 - Jointly Governed Organizations

Lakeshore Northeast Ohio Computer Association

The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau that was formed for the purpose of providing data services to the sixteen member districts. Major areas of service provided by LNOCA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Each school district supports LNOCA based upon a per pupil charge dependent upon the software packages used. In fiscal year 2010, the School District paid \$10,617 to LNOCA. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, Ohio 44125.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Northeast Ohio Network for Educational Technology

The Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEONET is a jointly governed organization among twenty-seven school districts and the Summit County Educational Service Center. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Board of Directors consists of member district superintendents and treasurers. The manager/director is a permanent, non-voting member of the board of directors. Each school district's control is limited to its representation on the board. The Board of Directors exercise total control over the operations of the association including budgeting, appropriating, contracting and designating management. All association revenues are generated from charges for services and State funding. The School District does not retain an ongoing financial interest or an ongoing financial responsibility in NEONET. Payments to NEONET are made from the general fund. During the current fiscal year, the School District paid \$129,937 to NEONET. Financial information can be obtained by writing to the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2010, the School District paid \$16,857 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the program including the Parma City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 16 - Set-Asides

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

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

	Textbooks Instructional Materials Reserve	Capital Improvement Reserve
Set-aside Reserve Balance as of June 30, 2009	(\$2,849,168)	\$0
Current Year Set-aside Requirement	2,086,435	2,086,435
Offsets During the Fiscal Year	0	(1,632,412)
Qualifying Disbursements	(1,634,130)	(571,163)
Totals	(\$2,396,863)	(\$117,140)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$2,396,863)	\$0
Set-aside Reserve Balance as of June 30, 2010	\$0	\$0

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

Note 17 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Litigation

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

Note 18 - Capital Leases

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

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

Furniture and Equipment	\$2,856,054
Less: Accumulated Depreciation:	<u>(1,146,731)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u><u>\$1,709,323</u></u>

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

	Governmental Activities
2011	\$481,485
2012	445,287
2013	315,175
2014	231,530
2015	182,774
2016-2018	<u>525,615</u>
Total Minimum Lease Payments	2,181,866
Less: Amounts Representing Interest	<u>(352,033)</u>
Present Value of Minimum Lease Payments	<u><u>\$1,829,833</u></u>

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 19 - Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2010, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable General Fund
Special Revenue Funds:	
Public School Support	\$16,400
Vocational Education Enhancement	7,682
Title VI-B	34,012
Vocational Education	53,297
Fiscal Stabilization	3,050
Refugee Children	9,600
<i>Total Special Revenue Funds</i>	124,041
Debt Service Fund:	
Bond Retirement	617,823
Capital Projects Funds:	
Permanent Improvement	150,000
Turf Replacement	826,350
<i>Total Capital Projects Funds</i>	976,350
Enterprise Funds:	
Adult Continuing Education	252,802
Extended Daycare/Preschool	170,403
<i>Total Enterprise Funds</i>	423,205
Total All Funds	\$2,141,419

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

Interfund Transfers

The transfers from the general fund to nonmajor special revenue funds of \$267,821 were made to move unrestricted balances to support programs and projects accounted for in other funds.

Parma City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 20 – Related Party Transaction

During 2010, the School District paid \$803 to ABC Rentals, which is a family owned business of former Superintendent Sarah C. Zatik's husband.

Note 21 – Subsequent Events

On November 2, 2010, the School District placed a 10 year, 5.5 mill emergency levy on the ballot. Voters did not pass this levy.

Superintendent Sarah C. Zatik resigned from the School District on July 31, 2010. The Parma Board of Education hired Jeffrey M. Graham, effective August 1, 2010 as the new Superintendent of the School District.

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**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

<u>FEDERAL GRANTOR/ Pass Through Grantor</u>	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2010	10.555	\$ -	\$ 197,407	\$ -	\$ 197,407
Cash Assistance:						
School Breakfast Program	2010	10.553	166,716	-	166,716	-
National School Lunch Program	2010	10.555	1,721,187	-	1,721,187	-
Total Cash Assistance			1,887,903	-	1,887,903	-
Total Child Nutrition Cluster			1,887,903	197,407	1,887,903	197,407
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,887,903	197,407	1,887,903	197,407
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster (IDEA):						
Special Education - Grants to States (IDEA, Part B)	2008	84.027	-	-	1,306	-
Special Education - Grants to States (IDEA, Part B)	2009	84.027	165,481	-	241,365	-
Special Education - Grants to States (IDEA, Part B)	2010	84.027	2,932,854	-	2,835,723	-
ARRA - Special Education - Grants to States (IDEA, Part B)	2010	84.391	1,222,723	-	1,283,275	-
Total Special Education - Grants to States (IDEA, Part B)			4,321,058	-	4,361,669	-
Special Education - Preschool Grants (IDEA Preschool)	2009	84.173	21,740	-	10,578	-
Special Education - Preschool Grants (IDEA Preschool)	2010	84.173	73,776	-	70,639	-
ARRA - Special Education - Preschool Grants (IDEA Preschool)	2010	84.392	5,581	-	-	-
Total Special Education - Preschool Grants (IDEA Preschool)			101,097	-	81,217	-
Total Special Education Cluster (IDEA)			4,422,155	-	4,442,886	-
Adult Education - State Grant Program	2009	84.002	19,715	-	11,144	-
Adult Education - State Grant Program	2010	84.002	381,319	-	365,006	-
Total Adult Education - State Grant Program			401,034	-	376,150	-
Title I, Part A Cluster:						
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	2007	84.010	-	-	2,612	-
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	2008	84.010	-	-	5,688	-
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	2009	84.010	312,306	-	350,581	-
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	2010	84.010	2,209,943	-	2,074,431	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	2010	84.389	511,964	-	470,076	-
Total Title I, Part A Cluster			3,034,213	-	2,903,368	-
Title I School Improvement Grants, Part G	2010	84.377	39,029	-	33,427	-
Safe and Drug-Free Schools and Communities - State Grants	2009	84.186	-	-	460	-
Safe and Drug-Free Schools and Communities - State Grants	2010	84.186	37,078	-	36,088	-
Total Safe and Drug-Free Schools and Communities - State Grants			37,078	-	36,548	-
Career and Technical Education - Basic Grants to States (Perkins IV)	2009	84.048	126,810	-	58,363	-
Career and Technical Education - Basic Grants to States (Perkins IV)	2010	84.048	167,289	-	168,132	-
Total Career and Technical Education - Basic Grants to States (Perkins IV)			294,099	-	226,495	-
Twenty-First Century Community Learning Centers	2009	84.287	73,791	-	25,959	-
Twenty-First Century Community Learning Centers	2010	84.287	189,198	-	183,772	-
Total Twenty-First Century Community Learning Centers			262,989	-	209,731	-
Title V, Innovative Educational Program Strategies	2009	84.298	21,995	-	19,520	-
Title II-D, Education Technology State Grants	2009	84.318	4,320	-	8,021	-
Title II-D, Education Technology State Grants	2010	84.318	17,120	-	19,771	-
Total Title II-D, Education Technology State Grants			21,440	-	27,792	-
Improving Teacher Quality State Grants	2009	84.367	52,271	-	72,103	-
Improving Teacher Quality State Grants	2010	84.367	374,175	-	363,491	-
Total Improving Teacher Quality State Grants			426,446	-	435,594	-
Title III, English Language Acquisition Grant	2009	84.365	58,235	-	10,118	-
Title III, English Language Acquisition Grant	2010	84.365	52,980	-	48,261	-
Total Title III, English Language Acquisition Grant			111,215	-	58,379	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund)	2010	84.394	1,652,049	-	1,652,049	-
GOALS 2000 Programs	2000	84.276	-	-	58	-
<i>Direct Program:</i>						
Funds for Improvement of Education - Elementary and Secondary School Counseling Discretionary Grants	2009	84.215	336,882	-	343,774	-
TOTAL U.S. DEPARTMENT OF EDUCATION			11,060,624	-	10,765,771	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Education:</i>						
Refugee Impact and Entrant Assistance	2009	93.576	4,310	-	3,303	-
Refugee Impact and Entrant Assistance	2010	93.576	-	-	4,054	-
Refugee Impact and Entrant Assistance	2011	93.576	-	-	4,796	-
Total Refugee Impact and Entrant Assistance			4,310	-	12,153	-
Block Grants for Prevention and Treatment of Substance Abuse	2009	93.959	1,000	-	1,000	-
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program - Community Alternative Funding System (CAFS)		93.778	611,561	-	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			616,871	-	13,153	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 13,565,398	\$ 197,407	\$ 12,866,827	\$ 197,407

The accompanying notes are an integral part of this schedule.

**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – MEDICAID COMMUNITY ALTERNATIVE FUNDING SYSTEM (CAFS) PAYMENTS

During the fiscal year ending June 30, 2010, the District received \$611,561 in Medicaid settlement payments. This amount represents reimbursement for expenditures that occurred in prior audit periods. The District no longer participates in the Medical Assistance Grant.

CFDA – Catalog of Federal Domestic Assistance



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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Parma City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 23, 2011

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

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

Dave Yost
Auditor of State

March 23, 2011



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Parma City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Parma City School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Parma City School District, Cuyahoga County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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



Dave Yost
Auditor of State

March 23, 2011

**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<p>1. Special Education Cluster:</p> <ul style="list-style-type: none"> - Special Education – Grants to States – CFDA #84.027 & #84.391 (ARRA) - Special Education – Preschool Grants – CFDA #84.173 & #84.392 (ARRA) <p>2. Title I, Part A Cluster: Title I Grants to Local Educational Agencies – CFDA #84.010 & #84.389 (ARRA)</p> <p>3. ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act – CFDA #84.394</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 385,927 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010
(Continued)**

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**PARMA CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

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

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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
APRIL 12, 2011