



Dave Yost • Auditor of State

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Parkway Local School District
Mercer County
400 Buckeye Street
Rockford, Ohio 45882

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Parkway Local School District, Mercer County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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.

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Parkway Local School District, Mercer County, Ohio, as of June 30, 2012, and the respective changes in cash financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013, on our consideration of the School 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.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities, and outstanding debt. The federal awards receipts and expenditures schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

January 30, 2013

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The discussion and analysis of the Parkway Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets increased \$95,250, mostly due to School District management monitoring the changing conditions and making pro-active decisions regarding school district finances when needed.
- Outstanding debt decreased from \$9,424,999 to \$9,069,993 through principal payments made during the current year and refunding of the bonds.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Parkway Local School District as a whole, entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell 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 funds with all other non-major funds presented in total in one column. For fiscal year 2012, the general fund, bond fund and permanent improvement funds are the School District's most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net assets will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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 a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The statement of net assets and the statement of activities answer this question.

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. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 5. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund, bond fund and permanent improvement fund.

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Reporting the School District's Fiduciary Responsibilities

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used for proprietary funds.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to 2011.

(Table 1)
Net Assets – Cash Basis

	Governmental Activities	
	2012	2011
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$5,886,630	\$5,711,355
Cash and Cash Equivalents in Segregated Accounts		80,025
Total Assets	5,886,630	5,791,380
Net Assets:		
Restricted for:		
Capital Projects	875,972	1,429,139
Debt Service	1,166,626	566,407
Other Purposes	452,977	335,265
Unrestricted	3,391,055	3,460,569
Total Net Assets	\$5,886,630	\$5,791,380

Net assets of the governmental activities increased \$95,250, which represents a 2 percent increase from fiscal year 2011. The increase is due to School District management monitoring the changing conditions and making pro-active decisions regarding School District finances when needed.

A portion of the School District's net assets, \$2,495,575 or 42 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$3,391,055 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net assets for fiscal year 2012 as compared to fiscal year 2011.

(Table 2)
Changes in Net Assets – Cash Basis

	Governmental Activities	
	2012	2011
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$1,164,955	\$1,119,236
Operating Grants, Contributions and Interest	981,712	1,030,204
Capital Grants, Contributions and Interest	306	19,750
Total Program Receipts	2,146,973	2,169,190
General Receipts:		
Property Taxes	3,189,860	2,792,381
Income Taxes	1,118,102	1,036,251
Grants and Entitlements not Restricted to Specific Programs	5,907,151	6,113,620
Proceeds from Sale of Capital Assets	290	2,370
Premium on Debt Issuance	672,874	
Insurance Proceeds	17,310	
Refunding Bonds	8,854,994	
Interest Earnings	16,120	29,341
Miscellaneous	38,680	74,958
Total General Receipts	19,815,381	10,048,921
Total Receipts	21,962,354	12,218,111

(Continued)

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

**(Table 2)
Changes in Net Assets – Cash Basis
(Continued)**

	Governmental Activities	
	2012	2011
Program Disbursements:		
Instruction:		
Regular	4,797,201	4,667,157
Special	2,032,315	2,156,401
Vocational	188,371	159,848
Support Services:		
Pupils	301,454	269,012
Instructional Staff	513,757	470,194
Board of Education	15,713	823
Administration	863,624	841,343
Fiscal	344,370	344,845
Operation and Maintenance of Plant	965,879	1,073,494
Pupil Transportation	427,775	478,875
Central	14,378	13,337
Operation of Non-Instructional Services:		
Food Service Operations	460,715	439,340
Extracurricular Activities	417,692	375,967
Capital Outlay	248,447	32,186
Debt Service:		
Refunding payment to escrow agent	9,417,056	
Principal Retirement	355,000	345,000
Interest and Fiscal Charges	398,033	409,630
Issuance Costs	105,324	
Total Program Disbursements	<u>21,867,104</u>	<u>12,077,452</u>
Change in Net Assets	95,250	140,659
Net Assets Beginning of year	<u>5,791,380</u>	<u>5,650,721</u>
Net Assets End of Year	<u>\$5,886,630</u>	<u>\$5,791,380</u>

Total general receipts and total program disbursements are higher than prior year due to the School District refunding bonds. The change in net assets did not change significantly due to the refunding bond issue.

Governmental Activities

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, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

(Table 3)
Governmental Activities – Cash Basis

	Total Costs of Services		Net Costs of Services	
	2012	2011	2012	2011
Program Disbursements:				
Instruction:				
Regular	\$4,797,201	\$4,667,157	(\$3,997,758)	(\$3,775,987)
Special	2,032,315	2,156,401	(1,609,718)	(1,674,241)
Vocational	188,371	159,848	(164,796)	(159,848)
Support Services:				
Pupils	301,454	269,012	(299,836)	(269,012)
Instructional Staff	513,757	470,194	(479,636)	(453,617)
Board of Education	15,713	823	(15,713)	(823)
Administration	863,624	841,343	(735,593)	(731,471)
Fiscal	344,370	344,845	(344,370)	(344,845)
Operation and Maintenance of Plant	965,879	1,073,494	(893,595)	(1,057,057)
Pupil Transportation	427,775	478,875	(427,775)	(468,142)
Central	14,378	13,337	(10,893)	(10,327)
Operation of Non-Instructional Services:				
Food Service Operations	460,715	439,340	5,903	14,339
Extracurricular Activities	417,692	32,186	(222,797)	(190,937)
Capital Outlay	248,447	32,186	(248,141)	(31,664)
Debt Service:				
Refunding payment to escrow agent	9,417,056		(9,417,056)	
Principal Retirement	355,000	345,000	(355,000)	(345,000)
Interest and Fiscal Charges	398,033	409,630	(398,033)	(409,630)
Issuance Costs	105,324		(105,324)	
Total	\$21,867,104	\$12,077,452	(\$19,720,131)	(\$9,908,262)

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 10 percent of all governmental expenses. The community is the largest area of support for the School District students.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$5,886,630, which is higher than the prior year balance of \$5,791,380.

The general fund had total cash receipts of \$9,859,984. The cash disbursements of the general fund totaled \$9,952,919. The general fund's fund balance decreased \$75,335 in fiscal year 2012. The decrease in fund balance can be attributed to a decrease in grant receipts.

The bond fund had total cash receipts of \$962,742 and total cash disbursements of \$882,380, with an increase in fund balance of \$600,219 in fiscal year 2012. The increase in fund balance is primarily due to a transfer from the classroom facilities fund after the completion of the school project and the refunding of bonds.

The permanent improvement fund had total cash receipts of \$116,033 and total cash disbursements of \$69,381, with an increase in fund balance of \$750,397 in fiscal year 2012. The increase in fund balance is primarily due to a transfer of funds from the classroom facilities fund after completion of the school project.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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.

During the course of fiscal year 2012, the School District amended its general fund budget several times. For the general fund, final budget basis receipts (including other financing sources) were \$9,734,459, representing an increase of \$508,013 from the original estimate of \$9,226,446. Actual receipts (including other financing sources) of \$9,747,895 were \$13,436 higher than the final budget. Of this increase, most was attributable to an increase in intergovernmental receipts.

For fiscal year 2012, the general fund final budget basis disbursements were \$10,450,678, which is under the original budgeted disbursements of \$10,470,779. Actual disbursements of \$9,954,091 were \$496,587 lower than the final budget. Actual instruction, operation and maintenance of plant, pupil transportation and administration disbursements were significantly under budgeted expectations. This variance was due to disbursements budgeted higher than usual to ensure for any possible increases in costs for maintaining the new building.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2012 and 2011.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2012	2011
2003 Various Purpose Bonds	\$ 214,999	\$9,424,999
2012 Refunding Bonds	8,854,994	
Total	<u>\$9,069,993</u>	<u>\$9,424,999</u>

For further information regarding the School District's debt, refer to Note 6 of the basic financial statements.

Current Issues

Parkway Local School District is holding its own in today's economy and the uncertainty in State funding. The School District completed construction of a new K-12 school facility in May 2006 in Rockford, Ohio. The Village of Rockford is a small rural community of just over 1,100 people in Northwest Ohio. It has a number of small and medium-sized businesses with agriculture having a contributing influence on the economy.

As with most Ohio school districts, the Parkway Local School District is required to ask residents to vote on various tax issues for the funding of the district. The School District currently has three tax issues that run for 5 years at a time. The School District voters have been supportive of the School District in recent elections. School District voters renewed a 1.5 mill Permanent Improvement levy for 5 years in March of 2009. This funding issue was first passed by voters in November 1999. In May of 2010, School District voters renewed a 1% Income Tax levy for an additional 5 years. This issue was first passed by voters in February of 1995. School District voters also renewed an 8.97 mill Operating levy for 5 years in the November 2010 election. This issue was first passed by voters in May of 1993.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Property taxes for the School District amount to 26% of total Governmental receipts and are made up of Real Estate and Public Utility Taxes. Tangible personal property tax revenue was phased out by the State of Ohio. The State will reimburse schools for the loss for five years, and then gradually phase out the reimbursement. Although personal property receipts are a small percentage of total revenue for the School District, the School District is concerned about the long-term effect of the elimination of this tax. The School District's income tax amounts to approximately 9% of total Governmental receipts.

The Parkway Local School District is primarily dependent on State funding. Funding from the State and other Intergovernmental sources was 55% of total receipts for Governmental Funds.

School District management will continue to monitor district finances. The coming years should prove to be both exciting and challenging to the School District as it operates in the new school building. There is the threat of substantially increased utility and fuel costs, continued rising health insurance costs, and moderate revenue growth. School District management is committed to monitoring these changing conditions and making pro-active decisions regarding School District finances when needed.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Debra Pierce, Treasurer of Parkway Local School District, 400 Buckeye St., Rockford, OH 45882.

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**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$5,886,630
Total Assets	<u>5,886,630</u>
Net Assets:	
Restricted for:	
Capital Projects	875,972
Debt Service	1,166,626
Other Purposes	452,977
Unrestricted	3,391,055
Total Net Assets	<u>\$5,886,630</u>

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions, and Interest	Capital Grants Contributions, and Interest	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$4,797,201	\$547,496	\$251,947		(\$3,997,758)
Special	2,032,315	39,807	382,790		(1,609,718)
Vocational	188,371		23,575		(164,796)
Support Services:					
Pupil	301,454	1,618			(299,836)
Instructional Staff	513,757	11,324	22,797		(479,636)
Board of Education	15,713				(15,713)
Administration	863,624	124,234	3,797		(735,593)
Fiscal	344,370				(344,370)
Operation and Maintenance of Plant	965,879		72,284		(893,595)
Pupil Transportation	427,775				(427,775)
Central	14,378	3,485			(10,893)
Operation of Food Services	460,715	268,664	197,954		5,903
Extracurricular Activities	417,692	168,327	26,568		(222,797)
Capital Outlay	248,447			\$306	(248,141)
Debt Service:					
Refunding Payment to Escrow Agent	9,417,056				(9,417,056)
Principal Retirement	355,000				(355,000)
Interest and Fiscal Charges	398,033				(398,033)
Issuance Costs	105,324				(105,324)
Total Governmental Activities	<u>\$21,867,104</u>	<u>\$1,164,955</u>	<u>\$981,712</u>	<u>\$306</u>	<u>(19,720,131)</u>
General Receipts:					
Property Taxes Levied for:					
General Purposes					2,220,861
Debt Service					833,116
Capital Projects					96,947
Building Maintenance					38,936
Income Tax					1,118,102
Grants and Entitlements not Restricted to Specific Programs					5,907,151
Proceeds on the Sale of Assets					290
Premium on Debt Issuance					672,874
Insurance Proceeds					17,310
Refunding Bonds Issued					8,854,994
Interest					16,120
Miscellaneous					38,680
Total General Receipts					<u>19,815,381</u>
Change in Net Assets					95,250
Net Assets - Beginning of Year					<u>5,791,380</u>
Net Assets - End of Year					<u>\$5,886,630</u>

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$3,391,055	\$1,166,626	\$789,676	\$539,273	\$5,886,630
Total Assets	<u>3,391,055</u>	<u>1,166,626</u>	<u>789,676</u>	<u>539,273</u>	<u>5,886,630</u>
Fund Balances:					
Non-spendable	5,521				5,521
Restricted		1,166,626	789,676	539,273	2,495,575
Assigned	684,923				684,923
Unassigned	2,700,611				2,700,611
Total Fund Balances	<u>\$3,391,055</u>	<u>\$1,166,626</u>	<u>\$789,676</u>	<u>\$539,273</u>	<u>\$5,886,630</u>

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property and Other Local Taxes	\$2,220,861	\$833,116	\$96,947	\$38,936	\$3,189,860
Income Taxes	1,118,102				1,118,102
Intergovernmental	5,782,038	129,626	19,061	922,593	6,853,318
Interest	16,120		25	1,461	17,606
Tuition and Fees	562,320			40,444	602,764
Extracurricular Activities	68,620			168,329	236,949
Gifts and Donations	12,256			30,568	42,824
Charges for Services	53,095			268,664	321,759
Rent	3,485				3,485
Miscellaneous	23,087			7,132	30,219
Total Receipts	<u>9,859,984</u>	<u>962,742</u>	<u>116,033</u>	<u>1,478,127</u>	<u>12,416,886</u>
Disbursements:					
Current:					
Instruction					
Regular	4,531,528			265,673	4,797,201
Special	1,647,233			385,082	2,032,315
Vocational	188,371				188,371
Support Services:					
Pupil	300,200			1,254	301,454
Instructional Staff	481,839			31,918	513,757
Board of Education	15,713				15,713
Administration	860,565			3,059	863,624
Fiscal	316,402	24,023	2,809	1,136	344,370
Operation and Maintenance of Plant	935,282		9,180	21,417	965,879
Pupil Transportation	427,775				427,775
Central	14,378				14,378
Extracurricular Activities	233,633			184,059	417,692
Operation of Non-Instructional Services:					
Food Service Operations				460,684	460,684
Capital Outlay			57,392	3,528	60,920
Debt Service:					
Principal Retirement		355,000			355,000
Interest and Fiscal Charges		398,033			398,033
Issuance Costs		105,324			105,324
Total Disbursements	<u>9,952,919</u>	<u>882,380</u>	<u>69,381</u>	<u>1,357,810</u>	<u>12,262,490</u>
Excess of Receipts Over/(Under) Disbursements	<u>(92,935)</u>	<u>80,362</u>	<u>46,652</u>	<u>120,317</u>	<u>154,396</u>
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	290				290
Refunding Bonds Issued		8,854,994			8,854,994
Premium on Refunding Bonds Issued		672,874			672,874
Refund of Prior Year Receipts				(187,558)	(187,558)
Insurance Recoveries	17,310				17,310
Payment of Refunded Bond Escrow Agent		(9,417,056)			(9,417,056)
Transfers In		409,045	703,745		1,112,790
Transfers Out				(1,112,790)	(1,112,790)
Total Other Financing Sources (Uses)	<u>17,600</u>	<u>519,857</u>	<u>703,745</u>	<u>(1,300,348)</u>	<u>(59,146)</u>
Net Change in Fund Balances	(75,335)	600,219	750,397	(1,180,031)	95,250
Fund Balances - Beginning of Year	<u>3,466,390</u>	<u>566,407</u>	<u>39,279</u>	<u>1,719,304</u>	<u>5,791,380</u>
Fund Balances - End of Year	<u>\$3,391,055</u>	<u>\$1,166,626</u>	<u>\$789,676</u>	<u>\$539,273</u>	<u>\$5,886,630</u>

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and Other Local Taxes	\$1,916,697	\$2,220,861	\$2,220,861	
Income Taxes	1,041,251	1,118,102	1,118,102	
Intergovernmental	5,693,599	5,759,836	5,782,038	\$22,202
Interest	29,341	16,341	16,120	(221)
Tuition and Fees	504,182	571,313	562,320	(8,993)
Gifts and Donations	13,575	8,575	8,459	(116)
Charges for Services	1,523	1,023	1,930	907
Rent	3,010	3,510	3,485	(25)
Miscellaneous	13,986	15,986	15,994	8
Total Receipts	<u>9,217,164</u>	<u>9,715,547</u>	<u>9,729,309</u>	<u>13,762</u>
Disbursements:				
Current:				
Instruction				
Regular	4,776,720	4,622,597	4,539,845	82,752
Special	1,788,505	1,730,329	1,647,260	83,069
Vocational Education	178,135	203,532	190,550	12,982
Support Services:				
Pupil	280,157	307,680	300,200	7,480
Instructional Staff	544,076	552,421	484,588	67,833
Board of Education	20,902	20,604	15,718	4,886
Administration	781,775	796,739	752,117	44,622
Fiscal	342,430	336,721	316,402	20,319
Operation and Maintenance of Plant	1,117,422	1,124,423	1,000,616	123,807
Pupil Transportation	459,426	475,140	458,784	16,356
Central	22,145	22,160	14,378	7,782
Extracurricular Activities				
Academic Oriented Activities	30,566	41,532	40,668	864
Sports Oriented Activities	128,520	216,800	192,965	23,835
Total Disbursements	<u>10,470,779</u>	<u>10,450,678</u>	<u>9,954,091</u>	<u>496,587</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,253,615)</u>	<u>(735,131)</u>	<u>(224,782)</u>	<u>510,349</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,370	590	290	(300)
Refund of Prior Year Disbursements	6,912	1,012	964	(48)
Refund of Prior Year Receipts			22	22
Insurance Recoveries		17,310	17,310	
Total Other Financing Sources (Uses)	<u>9,282</u>	<u>18,912</u>	<u>18,586</u>	<u>(326)</u>
Net Change in Fund Balances	(1,244,333)	(716,219)	(206,196)	510,023
Fund Balances - Beginning of Year	3,338,175	3,338,175	3,338,175	
Prior Year Encumbrances Appropriated	<u>82,418</u>	<u>82,418</u>	<u>82,418</u>	
Fund Balances - End of Year	<u>\$2,176,260</u>	<u>\$2,704,374</u>	<u>\$3,214,397</u>	<u>\$510,023</u>

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2012**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$34,219	\$38,480
Cash and Cash Equivalents in Segregated Accounts	6,775	6,775
Total Assets	34,219	45,255
Net Assets:		
Held in Trust for:		
Scholarships	33,857	
Employees		6,775
Students	362	38,480
Total Net Assets	\$34,219	\$45,255

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Contributions	\$16,698
Interest	37
Total Additions	<u>16,735</u>
Deductions:	
Payments in Accordance with Trust Agreements	17,206
Total Deductions	<u>17,206</u>
 Change in Net Assets	 (471)
 Net Assets - Beginning of Year	 <u>34,690</u>
 Net Assets - End of Year	 <u><u>\$34,219</u></u>

See accompanying notes to the financial statements.

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**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Parkway Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1960 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred eighty-two square miles. It is located in Auglaize, Mercer, and Van Wert Counties, and includes all of the Villages of Mendon, Rockford, and Willshire, as well as the Townships of Blackcreek, Dublin, Hopewell, Liberty, Union, and Willshire. The School District is staffed by forty classified employees, seventy-six certified teaching personnel who provide services to 1,129 students and other community members.

The reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Parkway Local School District, this includes general operations, food service, preschool and student related activities 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. There are no component units of the Parkway Local School District.

The School District participates in six jointly governed organizations and three insurance pools, and is associated with a related organization. These organizations are the Mercer County Local Professional Development Committee, Northwest Ohio Area Computer Services Cooperative, Vantage Career Center, the West Central Regional Professional Development Center, the West Central Ohio Special Education Regional Resource Center, the Northwestern Ohio Educational Research Council, Inc., the Ohio School Plan, the Mercer Auglaize Employee Benefit Trust, Ohio Association of School Business Officials Workers' Compensation Group Rating Program and the Rockford Carnegie Public Library. These organizations are presented in Notes 13, 14, and 15 to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District's accounting policies.

A. Basis of Accounting

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and government-wide statements versus budgetary disbursements are due to encumbrances outstanding at the beginning and end of the fiscal year.

These statements include required disclosures of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation – Fund Accounting

1. Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts 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. Receipts, which are not classified as program receipts, are presented as general receipts of the School District with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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. The focus of the governmental activity financial statement is on major funds. Each major fund is presented in a single column. Fiduciary funds are reported by type.

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its receipts and disbursements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

3. Governmental Funds/Governmental Activities

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds:

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

Bond Fund – The Bond Retirement Fund is used to account for property tax revenues and transfers from the General Fund to pay principal and interest on the School District's notes and general obligation bonds.

Permanent Improvement Fund – The Permanent Improvement fund is used to account for the specific receipts and disbursements for building improvements.

The other governmental funds of the School District account for grants and other to which the School District is bound to observe constraints imposed upon the use of the resources.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include private purpose trust and agency funds. The School District's private purpose trust funds account for endowments and scholarships for students as well as trusts for various other purposes such as alumni and special needs children. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities and a flex account for staff.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

The legal level of budgetary control established by the Board is at the two-digit function level for the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds, are made by the Treasurer.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected receipt of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipt are identified by the School District Treasurer.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as restricted or assigned fund balance for subsequent-year disbursements for governmental funds.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District accounting records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". Cash and cash equivalents belonging to individual funds and not part of the pool are recorded as "Cash and Cash Equivalents in Segregated Accounts."

For purposes of financial reporting, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased with pooled cash are reported as investments.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2012, the School District invested in nonnegotiable certificates of deposits, Fifth Third securities, Federal National Mortgage Association bonds and STAROhio. STAROhio investments are recorded by the funds at fair market value and the other investments are recorded at cost. Investment earnings are allocated as authorized by State statute based upon School District policy.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2012 were \$16,120, which includes \$6,834 assigned from other School District funds.

E. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded on these capital assets.

F. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting as presented here by the School District.

G. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds are not reported as liabilities on the cash basis financial statements. The debt proceeds are reported as receipts when received and payment of principal and interest are reported as disbursements when paid.

H. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for are recorded as receipt when the grant is received.

I. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

J. Interfund Transactions

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be disbursed are recorded as transfers.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Equity Classifications

1. Government-Wide Statements

Equity is classified as net assets, and displayed in separate components:

- a. **Restricted net assets** – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net assets restricted for other purposes include resources restricted for grants and food service operations. As of June 30, 2012, the School District did not have any net assets restricted by enabling legislation.
- b. **Unrestricted net assets** – All other net assets that do not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

2. Fund Financial Statements

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

- a. **Non-spendable** – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. **Restricted** – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. **Committed** – The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- d. **Assigned** – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. **Unassigned** – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Receipts and Disbursements

1. Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for service, operating and capital grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as a general receipt even if restricted for a specific purpose.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for governmental funds result from providing services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-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.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations 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 obligations or securities 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

As of June 30, 2012, the School District had \$710 in un-deposited cash on hand which is included in the fund balance.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the School District's deposits was \$2,740,695 and the bank balance was \$2,922,549. Of the bank balance, \$334,437 was covered by federal depository insurance and \$2,588,112 was uninsured but collateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

B. Investments

As of June 30, 2012, the School District's investments were as follows:

	Carrying Value	% of Investment Total	Maturities
STAROhio	\$ 422,636	13%	Available on demand
Fifth Third Securities Money Market	2,052,063	64%	Available on demand
Federal National Mortgage Association	750,000	23%	Due within one year
	<u>\$3,224,699</u>	<u>100%</u>	

C. Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

D. Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement of ORC 135.14(M)(2) which states, "payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from custodian by the treasurer, governing board, or qualified trustee."

The School District has no investment policy dealing with investment credit risk beyond the requirements of State statute.

Of the School District's investments, Fifth Third Securities money markets carry a rating of AAAM and Federal National Mortgage Association carries a rating of AA+ by Standard and Poor's.

STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012 is 53 days and carries a rating of AAAM by Standard and Poor's.

E. Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

F. Concentration Risk

The School District places no limit on the amount the School District may invest in any one issuer; however, State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time.

4. 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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Mercer, Auglaize and Van Wert Counties. 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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$96,821,810	91%	\$104,911,030	93%
Industrial/Commercial	5,730,010	5%	4,994,520	4%
Public Utility	3,746,850	4%	3,002,130	3%
Total	<u>\$106,298,670</u>	<u>100%</u>	<u>\$112,907,680</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$45.22		\$45.50	

5. INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. On May 3, 2005, this tax was renewed effective January 1, 2006. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

6. DEBT OBLIGATIONS

The changes in the School District's debt obligations during fiscal year 2012 are as follows:

	Interest Rates	Principal Outstanding 6/30/2011	Additions	Deductions	Principal Outstanding 6/30/2012	Due Within One Year
General Obligation Bonds:						
2003 Various Purpose Bonds	1.5 -					
Serial and Term	4.625%	\$9,210,000		\$9,210,000		
Capital Appreciation Bonds	4%	214,999			\$214,999	\$113,932
Total 2003 Various Purpose Bonds		<u>9,424,999</u>		<u>9,210,000</u>	<u>214,999</u>	<u>113,932</u>
2012 Various Purpose Refunding Bonds						
Serial Bonds	2-2.85%		\$8,470,000		8,470,000	95,000
Capital Appreciation Bonds	2.6-2.85%		384,994		384,994	
Total 2012 Refunding Bonds			<u>8,854,994</u>		<u>8,854,994</u>	<u>95,000</u>
Total General Obligation Bonds		<u>\$9,424,999</u>	<u>\$8,854,994</u>	<u>\$9,210,000</u>	<u>\$9,069,993</u>	<u>\$208,932</u>

2003 Various Purpose Bonds – On March 13, 2003, the School District issued \$11,749,999 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds in the amount of \$6,555,000, \$4,980,000 and \$214,999, respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

The Current Interest Bonds (term and serial bonds) maturing on December 1, 2014 and thereafter were refunded during fiscal year 2012 by the proceeds of the 2012 various purpose refunding bonds.

The capital appreciation bonds will mature in fiscal years 2013 and 2014. The maturity amounts of the bonds are \$365,000 for fiscal year 2013 and \$365,000 for fiscal year 2014. Capital appreciation bonds are not subject to redemption prior to maturity.

2012 Various Purpose Refunding Bonds – On May 9, 2012 the School District issued \$8,854,994 in general obligation bonds for the purpose of refunding a portion of the 2003 various purpose bonds originally issued in the amount of \$11,749,999 for the purpose of constructing, improving, and making additions to school buildings and related site development. The bond issue includes 8,470,000 serial bonds and \$384,994 in capital appreciation refunding bonds. The bonds will be retired with a voted property tax levy from the debt service fund.

Serial bonds will mature in various principal amounts with varying interest rates starting on December 1, 2012 and on each December 1 thereafter at 100% of the principal amount for the years 2012 thru 2019 and 2022 thru 2028.

The capital appreciation bonds will mature in fiscal years 2021 and 2022. The maturity amounts of the bonds are \$635,000 for fiscal year 2021 and \$635,000 for fiscal year 2022. Capital appreciation bonds are not subject to redemption prior to maturity.

The refunding bond issue provides resources to purchase US Government securities that were placed in trust with an escrow agent, for the purpose of future debt service payments of \$9,210,000 of the 2003 bond issue. As a result, the refunded bonds are considered to be defeased and the School District no longer has liabilities associated with those bonds.

**PARKWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

6. DEBT OBLIGATIONS (Continued)

The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete refunding was \$1,708,181. The economic gain resulting from the refunding was \$1,102,655.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2012, were as follows:

Fiscal year Ending June 30,	Capital Appreciation Bonds	Serial Bonds	Capital Appreciation Bonds	Interest/ Accretion	Total
2013	\$113,932	\$ 95,000		\$ 447,052	\$ 665,984
2014	101,067	190,000		459,279	750,346
2015		560,000		187,846	747,846
2016		575,000		176,496	751,496
2017		585,000		164,896	749,896
2018 – 2022		1,820,000	\$384,994	1,553,337	3,758,331
2023 – 2027		3,335,000		408,553	3,743,553
2028 – 2029		1,310,000		35,267	1,345,267
	\$214,999	\$8,470,000	\$384,994	\$3,432,726	\$12,502,719

7. RISK MANAGEMENT

A. 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. During fiscal year 2012, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

Buildings and Contents – replacement cost (\$1,000 deductible)	\$40,712,631
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Coverage provided by Ohio School Plan is as follows:

Vehicle Liability	5,000,000
General Liability	
Each Incident	5,000,000
Per Aggregate	7,000,000
Excess Liability	
Each Incident	5,000,000
Per Aggregate	7,000,000

B. Ohio School Plan

The School District belongs to the Ohio School Plan (the “Plan”), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 300 Ohio schools (“Members”).

Pursuant to section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The plan provides property, general liability, educator’s legal liability, and automobile and violence coverage, modified for each member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member’s specific deductible.

**PARKWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65% and is less than 80% does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$4,280,876	\$3,859,753
Liabilities	1,812,420	1,732,921
Members' Equity	<u>\$2,468,456</u>	<u>\$2,126,832</u>

The complete audited financial statements for The Ohio School Plan can be found at the Plan's website, www.ohioschoolplan.org.

Settled claims have not exceeded the commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

C. Workers' Compensation

For fiscal year 2012, the School District's Workers' Compensation managed care organization is contracted with Ohio Association of School Business Officials Workers' Compensation Group Rating Program ("GRP"). Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria.

D. Health Care Benefits

The School District participates in the Mercer Auglaize Employee Benefit Trust ("Trust"), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical, dental and vision insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**PARKWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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 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 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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, 2012, 2011 and 2010 were \$149,580, \$107,551, and \$100,515, respectively; 40 percent has been contributed for fiscal year 2012 and 100 percent has been contributed for fiscal years 2011 and 2010.

B. 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 publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – For fiscal year 2012, 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. 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 employer contributions. 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 for the fiscal years ended June 30, 2012, 2011 and 2010 were \$570,625, \$553,142, and \$530,484, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent has been contributed for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$29,734 made by the School District and \$21,239 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, none of the Board of Education members had elected to choose Social Security. The Board's liability would be 6.2 percent of wages paid.

9. POST EMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "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 financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for fiscal years ended June 30, 2012, 2011 and 2010 were \$43,894, \$42,549, and \$40,806, respectively.

**PARKWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. POST EMPLOYMENT BENEFITS (Continued)

B. 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, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. 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 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105©. For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. 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 (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$32,786, \$16,790, and \$50,477, respectively.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$8,833, \$8,923, and \$8,230, respectively.

**PARKWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. INTERFUND TRANSACTIONS

During fiscal year 2012, the Classroom Facilities Fund transferred \$409,045 to the bond retirement fund to be used for debt service payments, and also transferred \$703,745 to the Permanent Improvement Fund to be used for building improvements.

11. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Non-spendable for:					
Unclaimed Monies	\$5,521				\$5,521
Total Non-spendable	5,521				5,521
Restricted for:					
Permanent Improvements			\$789,676	\$86,296	875,972
Debt Service		\$1,166,626			1,166,626
Food Service Operations				241,045	241,045
Extracurricular Activities				57,135	57,135
Special Education				2,890	2,890
Regular Instruction				13,472	13,472
Facility Maintenance				102,680	102,680
Preschool				35,755	35,755
Total Restricted		1,166,626	789,676	539,273	2,495,575
Assigned for:					
Instruction	10,580				10,580
Support Services	113,094				113,094
Educational Activities	47,271				47,271
Subsequent years appropriations	513,978				513,978
Total Assigned	684,923				684,923
Unassigned	2,700,611				2,700,611
Total Fund Balance	<u>\$3,391,055</u>	<u>\$1,166,626</u>	<u>\$789,676</u>	<u>\$539,273</u>	<u>\$5,886,630</u>

12. STATUTORY RESERVES

State statute annually requires the School District to set aside in the General Fund an amount based on a statutory formula to acquire and construct capital improvements. Amounts not spent by fiscal year-end, or offset by similarly restricted resources received during the fiscal year, must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital acquisition. State statute requires disclosing this information. For fiscal year ended June 30, 2012, the reserve activity was as follows:

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. STATUTORY RESERVES (Continued)

	Capital Acquisition
Set-Aside Restricted Balance June 30, 2011	
Current Year Set Aside Requirement	\$179,220
Contributions in Excess of the Current Fiscal Year Set Aside Requirement	
Current Year Qualifying Disbursements	(116,007)
Excess Qualified Expenditures from Prior years	
Current year Offsets	(46,451)
Waiver Granted by the Department of Education	
Prior Year Offset from Bonds Proceeds	(16,762)
Total	\$ 0
Balance carried forward to FY 2013	0
Set-Aside Restricted Balance June 30, 2012	\$ 0

For capital maintenance, only the extra amount, which was a result of capital disbursements from bond proceeds, may be used to reduce the set-aside requirements in future years.

13. JOINTLY GOVERNED ORGANIZATIONS

- A. Mercer County Local Professional Development Committee (“Committee”)** – The School District is a participant in the Mercer County Local Professional Development Committee, which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by an eleven-member board made up of six teachers, two principals, one superintendent and two members employed by the Mercer County Educational Service Center. Board members serve two-year terms. The degree of control exercised by any participating educational entity is limited to its representation on the Board. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.
- B. Northwest Ohio Area Computer Services Cooperative (“NOACSC”)** – The School District is a participant in NOACSC which is a computer consortium. NOACSC is an association of local and city public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood Counties. The 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 governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2011, the School District paid \$6,336. Financial information can be obtained from Northwest Ohio Area Computer Services Cooperative 645 South Main Street, Lima, Ohio 45804.
- C. Vantage Career Center (“Career Center”)** – The Vantage Career Center is a distinct political subdivision of the State of Ohio which provides vocational instruction to students. The Career Center is operated under the direction of a Board consisting of thirteen members: ten local school districts, one exempted village school district, and two city school districts. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Vantage Career Center Treasurer, 818 North Franklin, Van Wert, Ohio 45891-1304.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

- D. West Central Regional Professional Development Center (“Center”)** – The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement and, in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

- E. West Central Ohio Special Education Regional Resource Center (“SERRC”)** – The SERRC is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents.

The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board.

Financial information can be obtained from Krista Hart, Treasurer, Hardin County Educational Service Center, 1121 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

- F. Northwestern Ohio Educational Research Council, Inc. (“NOERC”)** – The NOERC is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training.

The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

14. GROUP PURCHASING POOLS

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members, which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen-member board consisting of superintendents, treasurers, the vice-president of Hylant Administrative Services, and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Hylant Administrative Services serves as the sales and marketing representative, which establishes agreements between the Plan and its members. Financial information can be obtained from Hylant Administrative Services, 811 Madison Ave, 11th floor, Toledo, Ohio 43624.

B. Mercer Auglaize Employee Benefit Trust

The Mercer Auglaize Employee Benefit Trust (Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501©(9) of the Internal Revenue Code and provides medical, prescription drug, and dental benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee, which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler, Schmidt, Long, and Associates, Inc., 4159 Holland-Sylvania Road, Suite 103, Toledo, Ohio 43623.

C. Ohio Association of School Business Officials Workers' Compensation Group Rating Program

The School District participates in a group-rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Program was established through the Ohio Association of School Business Officials (OASBO) as a group insurance purchasing pool.

15. RELATED ORGANIZATION

Rockford Carnegie Public Library

The Rockford Carnegie Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The library is governed by a Board of Trustees appointed by the Parkway Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Rockford Carnegie Public Library, Robert Maurer, Clerk/Treasurer, 162 South Main Street, Rockford, Ohio 45882.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

16. CONTINGENCIES

A. Review of Statewide Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

B. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

C. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

17. BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance – budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general fund is as follows:

Net change in Fund Balance	
General Fund	
Budget basis	(\$206,196)
Funds budgeted elsewhere**	7,187
Adjustment for encumbrances	123,674
Cash basis	<u>(\$ 75,335)</u>

** As part of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on the cash basis. This included the public support fund, rotary high school fund and unclaimed monies fund.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

18. ACCOUNTABILITY AND COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2012, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**FEDERAL AWARD RECEIPTS AND EXPENDITURES SCHEDULE
FOR YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE					
<i>(Passed through Ohio Department of Education)</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$23,247		\$23,247	
National School Lunch Program:					
Cash Assistance	10.555	169,456		169,456	
Non-Cash Assistance (Food Distribution)	10.555		\$25,282		\$25,282
Total National School Lunch Program		<u>169,456</u>	<u>25,282</u>	<u>169,456</u>	<u>25,282</u>
Total Child Nutrition Cluster		<u>192,703</u>	<u>25,282</u>	<u>192,703</u>	<u>25,282</u>
Total U.S. Department of Agriculture		<u>192,703</u>	<u>25,282</u>	<u>192,703</u>	<u>25,282</u>
U.S. DEPARTMENT OF EDUCATION					
<i>(Passed through Ohio Department of Education)</i>					
Title I Grants to Local Educational Agencies	84.010	148,033		150,324	
Improving Teacher Quality State Grants	84.367	39,719		39,740	
Education Jobs Fund	84.410	176,549		176,549	
Educational Technology State Grants	84.318	<u>1,076</u>		<u>1,076</u>	
Total U.S. Department of Education		<u>365,377</u>		<u>367,689</u>	
Total Federal Assistance		<u>\$558,080</u>	<u>\$25,282</u>	<u>\$560,392</u>	<u>\$25,282</u>

See Accompanying Notes to the Federal Awards Receipts and Expenditures Schedule.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Parkway Local School District
Mercer County
400 Buckeye Street
Rockford, Ohio 45882

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Parkway Local School District, Mercer County, (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 30, 2013. We noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 School 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 School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School 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 School 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 School 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 30, 2013.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

January 30, 2013



Dave Yost • Auditor of State

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

Parkway Local School District
Mercer County
400 Buckeye Street
Rockford, Ohio 45882

To the Board of Education:

Compliance

We have audited the compliance of Parkway Local School District (the School 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 Parkway Local School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

Our compliance audit followed 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 School 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 School District's compliance with those requirements.

In our opinion, the Parkway Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The School 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 School 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 the opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

**Internal Control Over Compliance
(Continued)**

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 the audit committee, management, Board of Education, other within the School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

January 30, 2013

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

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)?	Yes
(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):	Child Nutrition Cluster School Breakfast Program CFDA# 10.553 National School Lunch Program CFDA# 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

1. Not Reporting in Accordance with GAAP

FINDING NUMBER 2012-001

NONCOMPLIANCE

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for 2012 following the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities, equity and the disclosures to provide a complete presentation of financial status.

Official's Response:

The School District has taken the position that due to limited financial resources, the School District will not go to the expense of preparing and auditing financial statements in accordance with generally accepted accounting principles (GAAP statements). The cost savings of not preparing GAAP financial reports will be used to help fund educational programs. The School District also feels that there are sufficient other records and reports, such as the other comprehensive basis of accounting (OCBOA) reports and the Five Year Forecast, to guide the Board and Administration in evaluating the School District's financial status.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code Section 117.38 & Ohio Admin. Code Section 117-2-03(B) – failed to prepare financial statements in accordance with GAAP	No	Repeated as finding Number 2012-001

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Dave Yost • Auditor of State

PARKWAY LOCAL SCHOOL DISTRICT

MERCER 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
FEBRUARY 26, 2013**