



Dave Yost • Auditor of State

**LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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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 District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the 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, 2011, and the respective changes in cash financial position and budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during 2011, the District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. 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

February 17, 2012

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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, 2011. 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 and accountant's compilation report to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- General Receipts accounted for \$10,048,921 in receipts or 82% of all receipts. Program specific receipts in the form of charges for services and sales, operating grants, capital grants and contributions and interest accounted for \$2,169,190 or 18% of total receipts of \$12,218,111.
- Total program disbursements were \$12,077,452, all of which were in governmental activities.
- In total, net assets increased \$140,659.

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 cash 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 governmental funds presented in total in one column. In the case of the Parkway Local School District, the General Fund and Classroom Facilities funds are the most significant funds.

The notes to the financial statements are an integral part of the district-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The School District has elected to present its financial statements on a cash basis of accounting. This 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 receipts and disbursements.

Essentially, the only assets reported on this strictly cash receipts and disbursement basis presentation in a statement of net assets will be cash and cash equivalents and investments. 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, 2011
(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 2011?" 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 receipts growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District only has governmental activities. The School District's basic services are reported here, including instructional and support services, extracurricular activities, and maintenance and construction. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. 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 and the Classroom Facilities 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 a cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid. 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

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.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as private purpose trusts. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 14 and 15. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for 2011 and 2010 comparatively:

**(Table 1)
Net Assets – Cash Basis**

	Governmental Activities	
	2011	Restated 2010
Assets:		
Cash & cash equivalents	\$5,711,355	\$5,570,782
Cash & cash equivalents in Segregated Accounts	80,025	79,939
Total Assets	5,791,380	5,650,721
Net Assets:		
Restricted:		
Capital Projects	1,429,139	1,443,536
Debt Service	566,407	439,838
Other Purposes	335,265	423,125
Unrestricted	3,460,569	3,344,222
Total Net Assets	\$5,791,380	\$5,650,721

Net assets of the governmental activities increased \$140,659, which represents a 2.5% increase over the fiscal year 2010 balance. The increase is due mainly to an increase in charges for services.

Table 2 shows the changes in net assets for fiscal years 2011 and 2010. This enables the reader to draw further conclusions about the District's financial status and possibly project future problems.

**(Table 2)
Governmental Activities**

	Governmental Activities	
	2011	2010
Program Receipts:		
Charges for Services	\$1,119,236	\$1,018,549
Operating Grants	1,030,204	1,071,153
Capital Grants	19,750	33,057
General Receipts:		
Property Taxes levied for:		
General Purpose	1,916,697	1,928,175
Debt Service	743,798	774,809
Capital Projects	94,086	94,637
Classroom Facilities & Maintenance	37,800	26,737
Payments in Lieu of Taxes		2,500
Income Taxes	1,036,251	1,017,902
Grants and Entitlements	6,113,620	6,033,703
Other	106,669	100,897
Total Receipts	12,218,111	12,102,119

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

**(Table 2)
Governmental Activities
(Continued)**

	Governmental Activities	
	2011	2010
Program Disbursements:		
Instruction	6,983,406	6,985,706
Support Services	3,491,923	3,420,506
Operation of Food Services	439,340	457,270
Extracurricular	375,967	384,999
Capital Outlay	32,186	61,649
Repayment of Debt	754,630	755,261
Total Disbursements	<u>12,077,452</u>	<u>12,065,391</u>
 Increase in Net Assets	 <u>\$ 140,659</u>	 <u>\$ 36,728</u>

Governmental Activities

Several receipts sources fund the School District's governmental activities with intergovernmental receipts being the largest contributor. Grants and entitlements generated \$6.1 million in fiscal year 2011. Property tax levies, also a large contributor generated \$2.8 million. With the combination of taxes and intergovernmental funding 74% of disbursements in governmental activities, the School District monitors both of these receipts sources very closely for fluctuations.

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 for fiscal years 2011 and 2010. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

**(Table 3)
Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2011	2010	2011	2010
Instruction	\$ 6,983,406	\$ 6,985,706	\$5,610,076	\$5,696,700
Support Services:				
Pupil and Instructional Staff	739,206	739,220	722,629	726,822
Board of Education, Administration, Fiscal and Central	1,200,348	1,221,103	1,087,466	1,123,567
Operation and Maintenance of Plant	1,073,494	1,030,721	1,057,057	980,220
Pupil Transportation	478,875	429,462	468,142	406,619
Operation of Food Services	439,340	457,270	(14,339)	(40,793)
Extracurricular Activities	375,967	384,999	190,937	233,525
Capital Outlay	32,186	61,649	31,664	60,711
Repayment of Debt	754,630	755,261	754,630	755,261
Total	<u>\$12,077,452</u>	<u>\$12,065,391</u>	<u>\$9,908,262</u>	<u>\$9,942,632</u>

Instruction and student support services comprise 64% of governmental program disbursements. Board of education, fiscal, administration and central charges were 10%. Pupil transportation and the operation/maintenance of facilities accounts for 13% of governmental program disbursements.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The School District's Funds

For fiscal year 2011, the School District had two major governmental funds: the General Fund and the Classroom Facilities Fund. The assets of these funds comprise \$4,769,979, or 82% of the \$5,791,380 in total governmental assets.

General Fund – The General Fund cash balance at June 30, 2011 was \$3,466,390, which represents 60% of total governmental fund cash balances. Receipts and other financing sources of the General Fund comprise \$9,311,616 (76%) of the total \$12,218,299 governmental funds' receipts and other financing sources and 76% of the total disbursements and other financing uses for the governmental funds. General fund receipts were more than disbursements by \$81,089.

Classroom Facilities Fund – The Classroom Facilities Fund cash balance at June 30, 2011 was \$1,303,589, which represents 23% of total governmental fund cash balances. Receipts and other financing sources of the Classroom Facilities Fund comprise less than one percent of the total \$12,218,299 governmental funds' receipts and other financing sources and less than one percent of total disbursements and other financing uses.

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 2011, the School District did modify its general fund budgeted disbursements. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For fiscal year 2011, the General Fund budget basis actual receipts and other financing sources were \$9,176,024; \$39,421 under the final budget estimates of \$9,215,445. Of this decrease, most was attributable to a decrease in intergovernmental receipts. Budget basis actual disbursements and other financing uses were \$9,182,073; \$437,597 less than the final budgeted estimates of \$9,619,670. The majority of the favorable change in disbursements was due to the School District's efforts to cut instructional costs and operation and maintenance of plant costs.

Set Asides and Debt Administration

Set Aside

Ohio law requires school districts to set aside a determined amount of certain receipts for capital improvements and an additional same amount for textbooks (see Note 12). For fiscal year 2011, this amounted to \$152,982 for each set aside.

The School District had qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks.

Debt Administration

At June 30, 2011, the School District had \$9,424,999 in general obligation bonds outstanding. During fiscal year 2011, \$345,000 of general obligation bonds were retired. See Note 7 for additional details.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

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 district currently has three tax issues that run for 5 years at a time. The district's voters have been supportive of the district in recent elections. 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, district voters renewed a 1% Income Tax levy for an additional 5 years. This issue was first passed by voters in February of 1995. 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.

Property taxes for the district amount to 23% 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 district, the district is concerned about the long-term effect of the elimination of this tax. The district's income tax amounts to approximately 8% of total Governmental receipts.

The Parkway Local School District is primarily dependent on State funding. Funding from the State and other Intergovernmental sources was 59% of total receipts for Governmental Funds.

District management will continue to monitor district finances. The coming years should prove to be both exciting and challenging to the 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. District management is committed to monitoring these changing conditions and making pro-active decisions regarding 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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$5,711,355
Cash and Cash Equivalents in Segregated Accounts	<u>80,025</u>
	<u>5,791,380</u>
Net Assets:	
Restricted for:	
Capital Projects	1,429,139
Debt Service	566,407
Other Purposes	335,265
Unrestricted	<u>3,460,569</u>
Total Net Assets	<u><u>\$5,791,380</u></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, 2011**

	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	\$4,667,157	\$563,706	\$327,464		(\$3,775,987)
Special	2,156,401		482,160		(1,674,241)
Adult/Continuing	159,848				(159,848)
Support Services:					
Pupil	269,012				(269,012)
Instructional Staff	470,194	362	16,215		(453,617)
Board of Education	823				(823)
Administration	841,343	99,144	10,728		(731,471)
Fiscal	344,845				(344,845)
Operation and Maintenance of Plant	1,073,494		7,942	\$8,495	(1,057,057)
Pupil Transportation	478,875			10,733	(468,142)
Central	13,337	3,010			(10,327)
Operation of Food Services	439,340	267,984	185,695		14,339
Extracurricular Activities	375,967	185,030			(190,937)
Capital Outlay	32,186			522	(31,664)
Repayment of Debt:					
Repayment of Principal	345,000				(345,000)
Repayment of Interest	409,630				(409,630)
Total Governmental Activities	<u>\$12,077,452</u>	<u>\$1,119,236</u>	<u>\$1,030,204</u>	<u>\$19,750</u>	<u>(9,908,262)</u>

General Receipts:

Property Taxes Levied for:

General Purposes	1,916,697
Debt Service	743,798
Capital Projects	94,086
Classroom Facilities and Maintenance	37,800
Income Tax	1,036,251
Grants and Entitlements not Restricted to Specific Programs	6,113,620
Proceeds on the Sale of Assets	2,370
Interest	29,341
Miscellaneous	74,958
Total General Receipts	<u>10,048,921</u>
 Change in Net Assets	 140,659
 Net Assets - Beginning of Year (Restated - See Note 3)	 <u>5,650,721</u>
 Net Assets - End of Year	 <u><u>\$5,791,380</u></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, 2011**

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,466,390	\$1,287,662	\$957,303	\$5,711,355
Cash and Cash Equivalents in Segregated Accounts		15,927	64,098	80,025
Total Assets	<u>3,466,390</u>	<u>1,303,589</u>	<u>1,021,401</u>	<u>5,791,380</u>
Fund Balances:				
Restricted	5,821	1,303,589	1,021,401	2,330,811
Assigned	128,406			128,406
Unassigned	3,332,163			3,332,163
Total Fund Balances	<u>\$3,466,390</u>	<u>\$1,303,589</u>	<u>\$1,021,401</u>	<u>\$5,791,380</u>

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property and Other Local Taxes	\$1,916,697		\$875,684	\$2,792,381
Income Taxes	1,036,251			1,036,251
Intergovernmental	5,607,063		1,539,445	7,146,508
Interest	29,341	\$450	1,497	31,288
Tuition and Fees	525,183		35,324	560,507
Rent	3,010			3,010
Extracurricular Activities	24,967		138,234	163,201
Gifts and Donations	35,496		25,861	61,357
Customer Sales and Services	100,585		267,984	368,569
Miscellaneous	23,628		22,204	45,832
Total Receipts	9,302,221	450	2,906,233	12,208,904
Disbursements:				
Current:				
Instruction:				
Regular	3,974,818		692,339	4,667,157
Special	1,663,245		493,156	2,156,401
Vocational	159,848			159,848
Support Services:				
Pupil	268,120		892	269,012
Instructional Staff	432,392		37,802	470,194
Board of Education	823			823
Administration	839,075		2,268	841,343
Fiscal	321,687		23,158	344,845
Operation and Maintenance of Plant	930,739		142,755	1,073,494
Pupil Transportation	408,290		70,585	478,875
Central	13,337			13,337
Operation of Food Services			439,340	439,340
Extracurricular Activities	208,758		167,209	375,967
Capital Outlay		2,809	29,377	32,186
Repayment of Debt:				
Principal			345,000	345,000
Interest			409,630	409,630
Total Disbursements	9,221,132	2,809	2,853,511	12,077,452
Excess of Receipts Over/(Under) Disbursements	81,089	(2,359)	52,722	131,452
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,370			2,370
Refund of Prior Year Disbursements	7,025			7,025
Refund of Prior Year Receipts			(188)	(188)
Total Other Financing Sources (Uses)	9,395		(188)	9,207
Net Change in Fund Balances	90,484	(2,359)	52,534	140,659
Fund Balances - Beginning of Year (Restated - See Note 3)	3,375,906	1,305,948	968,867	5,650,721
Fund Balances - End of Year	\$3,466,390	\$1,303,589	\$1,021,401	\$5,791,380

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGET BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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	\$2,145,200	\$1,916,697	\$1,916,697	
Income Taxes	1,003,613	1,036,251	1,036,251	
Intergovernmental	5,425,603	5,622,417	5,607,063	(\$15,354)
Interest	48,469	33,969	29,341	(4,628)
Tuition and Fees	472,805	533,368	525,183	(8,185)
Rent	3,360	5,660	3,010	(2,650)
Gifts and Donations	982	33,982	33,575	(407)
Customer Sales and Services	13	2,263	1,523	(740)
Miscellaneous	22,010	20,010	13,986	(6,024)
Total Receipts	<u>9,122,055</u>	<u>9,204,617</u>	<u>9,166,629</u>	<u>(37,988)</u>
Disbursements				
Current:				
Instruction:				
Regular	4,272,521	4,072,387	3,994,487	77,900
Special	1,682,807	1,703,726	1,667,426	36,300
Vocational Education	177,402	179,504	161,163	18,341
Support Services:				
Pupil	284,398	277,196	268,260	8,936
Instructional Staff	456,338	498,649	468,978	29,671
Board of Education	25,095	20,902	823	20,079
Administration	741,914	742,629	714,674	27,955
Fiscal	350,077	339,144	321,687	17,457
Operation and Maintenance of Plant	1,075,486	1,098,239	943,912	154,327
Pupil Transportation	409,439	453,918	418,568	35,350
Central	22,926	22,145	13,337	8,808
Extracurricular Activities	207,158	210,484	208,758	1,726
Capital Outlay:				
Building Acquisition and Construction Services	37,000			
Total Disbursements	<u>9,742,561</u>	<u>9,618,923</u>	<u>9,182,073</u>	<u>436,850</u>
Excess of Receipts Over (Under) Disbursements	<u>(620,506)</u>	<u>(414,306)</u>	<u>(15,444)</u>	<u>398,862</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	3,450	3,450	2,370	(1,080)
Refund of Prior Year Disbursements	4,067	7,378	7,025	(353)
Refund of Prior Year Receipts	(747)	(747)		747
Total Other Financing Sources (Uses)	<u>6,770</u>	<u>10,081</u>	<u>9,395</u>	<u>(686)</u>
Net Change in Fund Balances	(613,736)	(404,225)	(6,049)	398,176
Fund Balances - Beginning of Year (Restated - See Note 3)	3,264,330	3,264,330	3,264,330	
Prior Year Encumbrances Appropriated	79,894	79,894	79,894	
Fund Balances - End of Year	<u>\$2,730,488</u>	<u>\$2,939,999</u>	<u>\$3,338,175</u>	<u>\$398,176</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, 2011**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$34,690	\$41,066
Cash and Cash Equivalents in Segregated Accounts		6,626
Total Assets	34,690	47,692
 Net Assets:		
Held in Trust for:		
Scholarships	34,328	
Employees		6,626
Students	362	41,066
Total Net Assets	\$34,690	\$47,692

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Contributions	\$16,200
Interest	61
Total Additions	<u>16,261</u>
Deductions;	
Payments in Accordance with Trust Agreements	9,630
Total Deductions	<u>9,630</u>
 Change in Net Assets	 6,631
 Net Assets - Beginning of Year (Restated See Note 3)	 <u>28,059</u>
 Net Assets - End of Year	 <u><u>\$34,690</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, 2011**

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-one classified employees, seventy-six certified teaching personnel who provide services to 1,020 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, 2011
(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, 2011
(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 the primary operating fund of the School District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Classroom Facilities Fund - This fund accounts for the specific receipts and disbursements for the Classroom Facilities project.

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

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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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 2011, the School District invested in nonnegotiable certificates of deposits, Fifth Third securities, Federal Home Loan Bank, 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 2011 were \$29,341, which includes \$11,779 assigned from other School District Funds.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is 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.
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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2011, 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.
- 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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

N. Implementation of New Accounting Policies

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. RESTATEMENT OF FUND BALANCE/NET ASSETS

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned.

The restatement had the following effect on fund balances/net assets as of June 30, 2010:

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance at June 30, 2010	\$ 3,344,030	\$ 1,305,948	\$ 1,000,551	\$ 5,650,529
Change in Fund Structure	31,876		(31,684)	192
Adjusted Fund Balance at June 30, 2010	<u>\$ 3,375,906</u>	<u>\$ 1,305,948</u>	<u>\$ 968,867,551</u>	<u>\$ 5,650,721</u>

	<u>Governmental Activities</u>	<u>Agency</u>	<u>Private Purpose Trust</u>
Net Assets June 30, 2010	\$5,650,529	\$44,666	\$28,251
Change in Fund Structure	192		(192)
Adjusted Net Assets at June 30, 2010	<u>\$5,650,721</u>	<u>\$44,666</u>	<u>\$28,059</u>

4. 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.

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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2011, 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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end, the carrying amount of the School District's deposits was \$2,736,084 and the bank balance was \$2,913,886. Of the bank balance, \$568,453 was covered by federal depository insurance and \$2,345,433 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

Investments are reported at fair value. As of June 30, 2011, the School District's investments were as follows:

	<u>Value as of June 30, 2011</u>	<u>%of Investment Total</u>	<u>Maturities</u>
STAROhio	\$422,450	13.45%	Available on demand.
Fifth Third Securities Money Market	1,714,518	54.66%	Available on demand.
Federal Home Loan Bank	1,000,000	31.87%	Due within one year.
Total Investments	<u>\$3,136,968</u>	<u>100.00%</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 purchases 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.

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, STAROhio carries a rating of AAAM, Fifth Third Securities money markets carry a rating of AAAM and Federal Home Loan Bank carries a rating of AA+ by Standard and Poor's.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

E. 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. At June 30, 2011, 13.47% of the School District's investments are in STAROhio, 54.66% are in Fifth Third Securities Money Markets and 31.87% in Federal Home Loan Bank.

5. PROPERTY TAXES

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property were eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces 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 will be phased out.

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, 2011, are available to finance fiscal year 2011 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 2011 taxes were collected are:

	2010 Second-Half Collections		2011 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 96,597,600	93.53%	\$96,821,810	91.09%
Industrial;/Commercial	5,633,390	5.45	5,730,010	5.39
Public utility	1,050,850	1.02	3,746,850	3.52
Total Assessed Value	<u>\$103,281,840</u>	<u>100.00%</u>	<u>\$106,298,670</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.58		\$45.22	

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

6. 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.

7. DEBT OBLIGATIONS

The changes in the School District's debt obligations during fiscal year 2011 are as follows:

	<u>Interest Rates</u>	<u>Balance at 6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/11</u>	<u>Due Within One Year</u>
General Obligation Bonds:						
2003 Various Purpose						
Serial and Term	1.5 – 4.625%	\$9,555,000		\$345,000	\$9,210,000	\$355,000
Capital Appreciation	4.00%	214,999			214,999	
Total General Obligation Debt		<u>\$9,769,999</u>	<u>\$0</u>	<u>\$345,000</u>	<u>\$9,424,999</u>	<u>\$355,000</u>

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 are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after December 1, 2013 at par, which is 100% of the face value of the Current Interest Bonds.

The term bonds maturing on December 1, 2027 (\$2,900,000) are subject to mandatory sinking fund redemption. The mandatory redemption is to occur on December 1, in each of the years 2023 through 2026 (with the balance of \$630,000 to be paid at stated maturity on December 1, 2027) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2030 (\$2,080,000) are subject to mandatory sinking fund redemption. The mandatory redemption is to occur on December 1, in each of the years 2028 through 2029 (with the balance of \$725,000 to be paid at stated maturity on December 1, 2030) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

Serial bonds will mature in various principal amounts with varying interest rates starting on December 1, 2003 and on each December 1 thereafter at 100% of the principal amount for the years 2003 thru 2011 and 2014 thru 2022.

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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. DEBT OBLIGATIONS

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011, were as follows:

Fiscal Year Ending June 30	Serial and Term Bonds	Capital Appreciation Bonds	Interest/ Accretion	Total
2012	\$ 355,000		\$ 524,567	\$ 879,567
2013		\$113,932	650,543	764,475
2014		101,067	524,009	625,076
2015	365,000		385,199	750,199
2016	380,000		370,945	750,945
2017 – 2021	2,140,000		1,605,083	3,745,083
2022 – 2026	2,655,000		1,083,186	3,738,186
2027 – 2031	3,315,000		397,403	3,712,403
	<u>\$9,210,000</u>	<u>\$ 214,999</u>	<u>\$5,540,935</u>	<u>\$14,965,934</u>

8. 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 2011, 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) \$ 39,560,817

Coverage provided by Ohio School Plan is as follows:

Vehicle Liability	3,000,000
General Liability	
Each Incident	3,000,000
Per Aggregate	5,000,000
Excess Liability	
Each Incident	2,000,000
Per Aggregate	2,000,000

B. Ohio School Plan

The school 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
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. 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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$3,859,753	\$3,662,470
Liabilities	1,732,921	1,729,914
Members' Equity	<u>\$2,126,832</u>	<u>\$1,932,556</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 2011, 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.

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, it was determined the employer contribution rate to pension and death benefits to be 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$107,551, \$100,515, and \$100,678, respectively; 40 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more year of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**PARKWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65 whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DV Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$553,142, \$530,484, and \$541,273, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$12,175 made by the School District and \$8,696 made by the plan members.

**PARKWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2010 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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, 2011, 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.

10. POST EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio ("STRS Ohio") and to retired non-certified employees and their dependents through the School Employees Retirement System ("SERS"). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

A. State Teachers Retirement System

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The School District's contributions for fiscal years ended June 30, 2011, 2010 and 2009 were \$42,549, \$40,806, and \$41,636, respectively.

B. School Employees Retirement System

Medicare Part B Plan

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 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 premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76 percent. The School District's contributions for the fiscal years ended June 30, 2011, 2010 and 2009 were \$8,923, \$8,230, and \$7,254, respectively, which equaled the required contributions each year.

**PARKWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. POST EMPLOYMENT BENEFITS (Continued)

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105 (e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43 percent.

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. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution is the total amount assigned to the Health Care Fund. The School District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$16,790, \$50,477, and \$45,573, respectively. For fiscal year 2011, the School District paid \$156,888 for surcharge.

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. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The 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.

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:

**PARKWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. FUND BALANCE (Continued)

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Restricted for:				
Permanent Improvements		\$1,303,589	\$ 125,550	\$1,429,139
Debt Service			566,407	566,407
Unclaimed Monies	\$ 5,821			5,821
Food Service Operations			235,127	235,127
Extracurricular Activities			38,879	38,879
Special Education			5,186	5,186
Library			546	546
Regular instruction			9,477	9,477
Technology improvements			20	20
Facility maintenance			14,016	14,016
Preschool			26,193	26,193
Total Restricted	5,821	1,303,589	1,021,401	2,330,811
Assigned for:				
Unpaid obligations	88,432			88,432
Regular Instruction	39,782			39,782
Educational Activities	192			192
Total Assigned	128,406			128,406
Unassigned	3,332,163			3,332,163
Total Fund Balance	<u>\$3,466,390</u>	<u>\$1,303,589</u>	<u>\$1,021,401</u>	<u>\$5,791,380</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 purchase textbooks and other instructional materials and an equal amount 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, 2011, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>
Set Aside Reserve Balance June 30, 2010	(\$448,969)	
Current Year Set-Aside Requirement	152,982	\$152,982
Current Year Qualifying Expenditures	(157,607)	(113,314)
Current Year Offsets		(37,801)
Prior Year Offset from Bond Proceeds		(1,867)
Total	<u>(\$453,594)</u>	<u>\$ 0</u>
Balance Carried Forward to Fiscal Year 2012	<u>(\$453,594)</u>	<u>\$ 0</u>
Set Aside Reserve Balance June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>

**PARKWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. STATUTORY RESERVES (Continued)

The School District had authorized offsets and qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set-aside requirement in future fiscal years. 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. Effective July 1, 2011, the textbook set-aside laws have been repealed.

13. JOINTLY GOVERNED ORGANIZATIONS

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.

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.

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.

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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

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.

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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. GROUP PURCHASING POOLS (Continued)

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(c)(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.

16. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

17. BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance – budget and actual (cash 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	(\$6,049)
Funds budgeted elsewhere**	8,101
Adjustment for encumbrances	88,432
Cash basis	<u>\$90,484</u>

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue or internal service funds are considered part of the general fund on a cash basis. This includes public school support and rotary funds.

18. 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 2011, 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, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF ENERGY					
<i>(Passed through Ohio Department of Development)</i>					
ARRA - State Energy Program	81.041	\$16,080		\$16,080	
Total US Department of Energy		16,080		16,080	
U.S. DEPARTMENT OF AGRICULTURE					
<i>(Passed through Ohio Department of Education)</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	18,913		18,913	
National School Lunch Program:					
Cash Assistance	10.555	161,034		161,034	
Non-Cash Assistance (Food Distribution)	10.555		\$71,112		\$71,112
Total National School Lunch Program		161,034	71,112	161,034	71,112
Total Child Nutrition Cluster		179,947	71,112	179,947	71,112
Total U.S. Department of Agriculture		179,947	71,112	179,947	71,112
U.S. DEPARTMENT OF EDUCATION					
<i>(Passed through Ohio Department of Education)</i>					
ARRA - Special Education Grants to States, Recovery Act	84.391	58,309		66,857	
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	161,406		156,220	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	27,452		32,341	
Total Title I, Part A Cluster		188,858		188,561	
Improving Teacher Quality State Grants	84.367	47,896		48,664	
ARRA - State Fiscal Stabilization Fund (SFSF), Education State Grants, Recovery Act	84.394	438,321		466,897	
Education Jobs Fund	84.410	142,271		142,271	
Educational Technology State Grants	84.318	471		471	
Total U.S. Department of Education		876,126		913,721	
Total Federal Assistance		\$1,072,153	\$71,112	\$1,109,748	\$71,112

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, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The 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 District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 17, 2012, wherein we noted the District adopted the provisions of Government Accounting Standards Board Statement No 54, *Fund Balance and Governmental Fund Type Definitions*. We also noted the 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 2011-01.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 17, 2012.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the 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, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

February 17, 2012



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 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 to each of its major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Parkway Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

**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 noted a certain matter not required inclusion in this report that we reported to the District's management in a separate letter dated February 17, 2012.

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



Dave Yost
Auditor of State

February 17, 2012

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

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):	Title I, Part A Cluster: <ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies CFDA 84.010 • ARRA – Title I Grants to Local Educational Agencies, Recovery Act CFDA 84.389 ARRA - State Fiscal Stabilization Fund (SFSF), Education State Grants, Recovery Act CFDA 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2011-01

NONCOMPLIANCE - Not Reporting in Accordance with Generally Accepted Accounting Principles (GAAP)

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 District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with 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 District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District's annual financial statements should be prepared according to generally accepted accounting principles to include assets, liabilities, equity and the disclosures required to accurately and completely present the District's financial condition.

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
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	ORC 117.38 and OAC 117-2-03 (B) – Preparation and filing of cash basis annual financial report.	No	Repeated as Finding 2011-01

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Parkway Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on January 13, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 17, 2012

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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
APRIL 10, 2012**