



Dave Yost • Auditor of State

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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MERCER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Parkway Local School District, Mercer County, Ohio (the School District), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2A describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2014 and 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2A.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2A of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 23, 2015

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Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(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, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position increased \$51,816, primarily due to an overall decrease in disbursements.
- Outstanding debt decreased from \$8,861,061 to \$8,569,994 through principal payments made during the current year.

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 Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2014, the general fund and the bond fund are the School District's most significant funds.

Basis of Accounting

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

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

Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(UNAUDITED)
(Continued)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The statement of net position and the statement of activities answer this question.

These two statements report the School District's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. 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 bond fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Reporting the School District's Fiduciary Responsibilities

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

Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(UNAUDITED)
(Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to 2013.

(Table 1)
Net Position – Cash Basis

	Governmental Activities	
	2014	2013
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 5,353,112	\$ 5,301,296
<i>Total Assets</i>	<i>\$ 5,353,112</i>	<i>\$ 5,301,296</i>
Net Position		
Restricted for:		
Capital Projects	\$ 88,504	\$ 111,860
Debt Service	1,364,770	1,359,756
Other Purposes	363,826	446,828
Unrestricted	3,536,012	3,382,852
<i>Total Net Position</i>	<i>\$ 5,353,112</i>	<i>\$ 5,301,296</i>

Net position of the governmental activities increased \$51,816, which represents a .98 percent increase from fiscal year 2013.

A portion of the School District's net position, \$1,817,100 or 34 percent, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$3,536,012 may be used to meet the School District's ongoing obligations.

Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(UNAUDITED)
(Continued)

Table 2 shows the changes in net position for fiscal year 2014 as compared to fiscal year 2013.

(Table 2)
Changes in Net Position – Cash Basis

	Governmental Activities	
	2014	2013
Receipts		
Program Receipts		
Charges for Services and Sales	\$ 1,285,704	\$ 1,263,860
Operating Grants, Contributions and Interest	766,494	802,636
<i>Total Program Receipts</i>	<u>2,052,198</u>	<u>2,066,496</u>
General Receipts		
Property Taxes	3,218,458	3,271,214
Income Taxes	1,275,269	1,143,472
Grants and Entitlements not Restricted to		
Specific Programs	6,171,268	5,939,750
Insurance Recoveries	6,338	66,703
Interest Earnings	29,182	17,116
Miscellaneous	46,917	37,916
<i>Total General Receipts</i>	<u>10,747,432</u>	<u>10,476,171</u>
<i>Total Receipts</i>	<u>12,799,630</u>	<u>12,542,667</u>
Program Disbursements		
Instruction:		
Regular	5,413,376	4,976,241
Special	2,177,950	2,060,595
Vocational	217,173	200,659
Support Services:		
Pupils	344,579	302,509
Instructional Staff	175,003	545,757
Board of Education	25,039	14,612
Administration	827,412	869,112
Fiscal	379,763	363,931
Business	6,174	704
Operation and Maintenance of Plant	1,036,409	1,051,761
Pupil Transportation	418,825	489,165
Central	28,611	28,526
Operation of Non-Instructional Services		
Food Service Operations	432,903	464,733
Extracurricular Activities	465,554	462,700
Capital Outlay	48,697	641,012
Debt Service:		
Principal Retirement	291,067	208,932
Interest and Fiscal Charges	459,279	447,052
<i>Total Program Disbursements</i>	<u>12,747,814</u>	<u>13,128,001</u>
<i>Change in Net Position</i>	51,816	(585,334)
<i>Net Position Beginning of Year</i>	<u>5,301,296</u>	<u>5,886,630</u>
<i>Net Position End of Year</i>	<u>\$ 5,353,112</u>	<u>\$ 5,301,296</u>

Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
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(UNAUDITED)
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Fluctuations between regular instruction and instructional staff support services disbursements can be attributed to the re-coding of disbursements in accordance with the revised expenditure standards approved by the State Board of Education on December 11, 2012. The expenditure standards revisions addressed operating expenditures and classroom instruction versus non-classroom expenditures. Capital outlay disbursements decreased significantly in fiscal year 2014 due to improvements made to the football field and track during fiscal year 2013.

Governmental Activities

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

(Table 3)
Governmental Activities – Cash Basis

	Total Costs of Services		Net Costs of Services	
	2014	2013	2014	2013
<i>Program Disbursements</i>				
Instruction:				
Regular	\$ 5,413,376	\$ 4,976,241	\$ 4,641,731	\$ 4,225,980
Special	2,177,950	2,060,595	1,732,068	1,621,700
Vocational	217,173	200,659	148,373	152,906
Support Services:				
Pupils	344,579	302,509	344,579	302,509
Instructional Staff	175,003	545,757	175,003	540,357
Board of Education	25,039	14,612	25,039	14,612
Administration	827,412	869,112	720,119	739,890
Fiscal	379,763	363,931	379,763	363,931
Business	6,174	704	6,174	704
Operation and Maintenance of Plant	1,036,409	1,051,761	1,029,558	1,011,515
Pupil Transportation	418,825	489,165	418,825	489,165
Central	28,611	28,526	28,611	28,526
Operation of Non-Instructional Services				
Food Service Operations	432,903	464,733	3,807	14,721
Extracurricular Activities	465,554	462,700	242,923	257,993
Capital Outlay	48,697	641,012	48,697	641,012
Debt Service:				
Principal Retirement	291,067	208,932	291,067	208,932
Interest and Fiscal Charges	459,279	447,052	459,279	447,052
Total	\$ 12,747,814	\$ 13,128,001	\$ 10,695,616	\$ 11,061,505

Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(UNAUDITED)
(Continued)

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 16 percent of all governmental expenses. The community is the largest area of support for the School District students.

The School District's Funds

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

The School District's governmental funds reported a combined fund balance of \$5,353,112, which is slightly higher than the prior year balance of \$5,301,296.

The general fund had total cash receipts of \$10,641,488. The cash disbursements of the general fund totaled \$10,486,977. The general fund's fund balance increased \$154,511 in fiscal year 2014. The increase in fund balance can be attributed to an increase in state foundation receipts in fiscal year 2014.

The bond fund had total cash receipts of \$774,054 and total cash disbursements of \$769,040, with an increase in fund balance of \$5,014 in fiscal year 2014. The increase in fund balance is primarily due to the principal and interest payments on outstanding debt being less than the property tax and homestead and rollback receipts.

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 2014, the School District amended its general fund budget several times. For the general fund, final budget basis receipts (excluding other financing sources) were \$10,494,282, representing an increase of \$431,158 from the original estimate of \$10,063,124. This increase was primarily the result of state foundation revenue being higher than originally anticipated. Actual receipts (excluding other financing sources) of \$10,488,203 were \$6,079 lower than the final budget.

For fiscal year 2014, the general fund final budget basis disbursements were \$11,575,351, which is over the original budgeted disbursements of \$11,066,676. Actual disbursements of \$10,421,878 were \$1,153,473 lower than the final budget. Actual instruction, operation and maintenance of plant, and pupil transportation were significantly under budgeted expectations.

Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
 (UNAUDITED)
 (Continued)

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2014 and 2013.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2014	2013
2003 Various Purpose Bonds	\$ 0	\$ 101,067
2012 Refunding Bonds	8,569,994	8,759,994
<i>Total</i>	\$ 8,569,994	\$ 8,861,061

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

Current Issues

Parkway Local School District is holding its own in today's economy. Parkway students are educated in a K-12 school facility that was constructed in May of 2006 in Rockford, Ohio. The Village of Rockford is a small rural community of just over 1,100 people in Mercer County, Northwest Ohio. It has a number of small and medium-sized businesses with agriculture having a contributing influence on the economy.

As with most Ohio school districts, the Parkway Local School District is required to ask residents to vote on various tax issues for the funding of the district. The School District currently has three tax issues that run for 5 years at a time. The School District voters are traditionally supportive of the School District. School District voters renewed a 1.5 mill Permanent Improvement levy for 5 years in May of 2014. This funding issue was first passed by voters in November 1999. In May of 2010, School District voters renewed a 1 percent Income Tax levy for an additional 5 years. This issue was first passed by voters in February of 1995. School District voters also renewed an 8.97 mill Operating levy for 5 years in the November 2010 election. This issue was first passed by voters in May of 1993.

Real estate property taxes for the School District amount to 24 percent of total receipts. The School District's income tax amounts to approximately 10 percent of total Governmental receipts.

The Parkway Local School District is primarily dependent on State funding. Funding from the State and other intergovernmental sources was 52 percent of total receipts.

Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(UNAUDITED)
(Continued)

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

Contacting the School District's Financial Management

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

Parkway Local School District
Mercer County, Ohio
Statement of Net Position - Cash Basis
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 5,353,112
<i>Total Assets</i>	<u>\$ 5,353,112</u>
Net Position	
Restricted for:	
Capital Projects	\$ 88,504
Debt Service	1,364,770
Other Purposes	363,826
Unrestricted	<u>3,536,012</u>
<i>Total Net Position</i>	<u>\$ 5,353,112</u>

See accompanying notes to the basic financial statements.

Parkway Local School District
Mercer County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2014

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 5,413,376	\$ 680,662	\$ 90,983	\$ (4,641,731)
Special	2,177,950	46,696	399,186	(1,732,068)
Vocational	217,173	0	68,800	(148,373)
Support Services:				
Pupils	344,579	0	0	(344,579)
Instructional Staff	175,003	0	0	(175,003)
Board of Education	25,039	0	0	(25,039)
Administration	827,412	107,293	0	(720,119)
Fiscal	379,763	0	0	(379,763)
Business	6,174	0	0	(6,174)
Operation and Maintenance of Plant	1,036,409	0	6,851	(1,029,558)
Pupil Transportation	418,825	0	0	(418,825)
Central	28,611	0	0	(28,611)
Operation of Non-Instructional Services				
Food Service Operations	432,903	249,869	179,227	(3,807)
Extracurricular Activities	465,554	201,184	21,447	(242,923)
Capital Outlay	48,697	0	0	(48,697)
Debt Service:				
Principal Retirement	291,067	0	0	(291,067)
Interest and Fiscal Charges	459,279	0	0	(459,279)
Totals	\$ 12,747,814	\$ 1,285,704	\$ 766,494	(10,695,616)

General Receipts

Property Taxes Levied for:

General Purposes	2,406,524
Debt Service	670,300
Capital Projects	98,335
Building Maintenance	43,299
Income Tax	1,275,269
Grants and Entitlements not Restricted to Specific Programs	6,171,268
Insurance Recoveries	6,338
Interest Earnings	29,182
Miscellaneous	46,917

Total General Receipts 10,747,432

Change in Net Position 51,816

Net Position Beginning of Year 5,301,296

Net Position End of Year \$ 5,353,112

See accompanying notes to the basic financial statements.

Parkway Local School District
Mercer County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2014

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 3,537,363	\$ 1,364,770	\$ 450,979	\$ 5,353,112
<i>Total Assets</i>	<u>\$ 3,537,363</u>	<u>\$ 1,364,770</u>	<u>\$ 450,979</u>	<u>\$ 5,353,112</u>
Fund Balances				
Nonspendable	\$ 1,351	\$ 0	\$ 0	\$ 1,351
Restricted	0	1,364,770	450,979	1,815,749
Assigned	1,990,408	0	0	1,990,408
Unassigned	<u>1,545,604</u>	<u>0</u>	<u>0</u>	<u>1,545,604</u>
<i>Total Fund Balances</i>	<u>\$ 3,537,363</u>	<u>\$ 1,364,770</u>	<u>\$ 450,979</u>	<u>\$ 5,353,112</u>

See accompanying notes to the basic financial statements.

Parkway Local School District
Mercer County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General Fund	Bond Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 2,406,524	\$ 670,299	\$ 141,634	\$ 3,218,457
Income Taxes	1,275,269	0	0	1,275,269
Intergovernmental	6,081,942	103,755	725,325	6,911,022
Interest Income	29,182	0	464	29,646
Tuition and Fees	684,928	0	41,020	725,948
Extracurricular Activities	107,292	0	201,185	308,477
Gifts and Donations	4,828	0	21,447	26,275
Charges for Services	0	0	249,869	249,869
Rent	1,410	0	0	1,410
Miscellaneous	43,775	0	3,144	46,919
<i>Total Receipts</i>	<u>10,635,150</u>	<u>774,054</u>	<u>1,384,088</u>	<u>12,793,292</u>
Disbursements				
Current:				
Instruction:				
Regular	5,131,424	0	281,952	5,413,376
Special	1,780,018	0	397,932	2,177,950
Vocational	217,173	0	0	217,173
Support Services:				
Pupils	343,217	0	1,362	344,579
Instructional Staff	175,003	0	0	175,003
Board of Education	25,039	0	0	25,039
Administration	823,660	0	3,752	827,412
Fiscal	357,185	18,694	3,884	379,763
Business	6,174	0	0	6,174
Operation and Maintenance of Plant	955,494	0	80,915	1,036,409
Pupil Transportation	418,825	0	0	418,825
Central	16,414	0	12,197	28,611
Extracurricular Activities	237,351	0	228,203	465,554
Operation of Non-Instructional Services:				
Food Service Operations	0	0	432,903	432,903
Capital Outlay	0	0	48,697	48,697
Debt Service:				
Principal Retirement	0	291,067	0	291,067
Interest and Fiscal Charges	0	459,279	0	459,279
<i>Total Disbursements</i>	<u>10,486,977</u>	<u>769,040</u>	<u>1,491,797</u>	<u>12,747,814</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>148,173</u>	<u>5,014</u>	<u>(107,709)</u>	<u>45,478</u>
Other Financing Sources (Uses)				
Insurance Recoveries	6,338	0	0	6,338
<i>Net Change in Fund Balances</i>	154,511	5,014	(107,709)	51,816
<i>Fund Balances Beginning of Year</i>	<u>3,382,852</u>	<u>1,359,756</u>	<u>558,688</u>	<u>5,301,296</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,537,363</u>	<u>\$ 1,364,770</u>	<u>\$ 450,979</u>	<u>\$ 5,353,112</u>

See accompanying notes to the basic financial statements.

Parkway Local School District
Mercer County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 2,385,463	\$ 2,406,524	\$ 2,406,524	\$ 0
Income Taxes	1,143,472	1,275,269	1,275,269	0
Intergovernmental	5,843,492	6,076,707	6,081,942	5,235
Investment Income	17,116	29,316	29,182	(134)
Tuition and Fees	643,638	686,523	684,928	(1,595)
Gifts and Donations	750	750	500	(250)
Charges for Services	1,205	1,205	0	(1,205)
Rent	3,230	3,230	1,410	(1,820)
Miscellaneous	24,758	14,758	8,448	(6,310)
<i>Total Receipts</i>	<u>10,063,124</u>	<u>10,494,282</u>	<u>10,488,203</u>	<u>(6,079)</u>
Disbursements				
Current:				
Instruction:				
Regular	5,482,353	5,598,401	5,162,925	435,476
Special	1,890,359	1,943,955	1,780,218	163,737
Vocational	231,087	250,915	217,623	33,292
Support Services:				
Pupils	364,540	450,543	343,300	107,243
Instructional Staff	189,546	201,980	178,502	23,478
Board of Education	26,636	37,686	25,084	12,602
Administration	759,758	741,950	715,491	26,459
Fiscal	380,304	384,418	358,146	26,272
Business	6,556	22,076	6,174	15,902
Operation and Maintenance of Plant	1,018,244	1,105,721	958,916	146,805
Pupil Transportation	447,827	545,606	421,734	123,872
Central	17,430	22,741	16,414	6,327
Extracurricular Activities	252,036	269,359	237,351	32,008
<i>Total Disbursements</i>	<u>11,066,676</u>	<u>11,575,351</u>	<u>10,421,878</u>	<u>1,153,473</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,003,552)</u>	<u>(1,081,069)</u>	<u>66,325</u>	<u>1,147,394</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	4,200	30,200	30,071	(129)
Refund of Prior Year Receipts	0	(278)	0	278
Insurance Recoveries	66,703	16,703	6,338	(10,365)
Transfers In	0	0	3,358	3,358
<i>Total Other Financing Sources (Uses)</i>	<u>70,903</u>	<u>46,625</u>	<u>39,767</u>	<u>(6,858)</u>
<i>Net Change in Fund Balance</i>	<u>(932,649)</u>	<u>(1,034,444)</u>	<u>106,092</u>	<u>1,140,536</u>
<i>Fund Balance Beginning of Year</i>	<u>3,311,077</u>	<u>3,311,077</u>	<u>3,311,077</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>22,371</u>	<u>22,371</u>	<u>22,371</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,400,799</u>	<u>\$ 2,299,004</u>	<u>\$ 3,439,540</u>	<u>\$ 1,140,536</u>

See accompanying notes to the basic financial statements.

Parkway Local School District
Mercer County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 16,496	\$ 47,434
Cash and Cash Equivalents in Segregated Accounts	0	4,748
<i>Total Assets</i>	\$ 16,496	\$ 52,182
Net Position		
Held in Trust for:		
Scholarships	\$ 14,443	\$ 0
Employees	0	4,748
Students	2,053	47,434
<i>Total Net Position</i>	\$ 16,496	\$ 52,182

See accompanying notes to the basic financial statements.

Parkway Local School District
Mercer County, Ohio
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
	Scholarship
Additions	
Gifts and Contributions	\$ 14,734
Interest	225
<i>Total Additions</i>	14,959
 Deductions	
Payments in Accordance with Trust Agreements	15,882
<i>Change in Net Position</i>	(923)
<i>Net Position Beginning of Year</i>	17,419
<i>Net Position End of Year</i>	\$ 16,496

See accompanying notes to the basic financial statements.

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PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 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 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 four insurance pools, and is associated with a related organization. These organizations are the Mercer County Local Professional Development Committee, the Northwest Ohio Area Computer Services Cooperative, the 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, the Ohio Association of School Business Officials Workers' Compensation Group Rating Program, the Southwestern Ohio Educational Purchasing Council, and the Rockford Carnegie Public Library. These organizations are presented in Notes 12, 13, and 14 to the financial statements.

NOTE 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. Following are the more significant of the School District's accounting policies.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)*

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.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position 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 position 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.

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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)*

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:

Governmental Funds/Governmental Activities

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

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

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

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

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 position) 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, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(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 object 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.

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.

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.

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 object appropriations within the general fund, must be approved by the Board of Education.

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(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.

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 yearend are reported as restricted or assigned fund balance for subsequent-year disbursements for governmental funds.

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 reappropriated.

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 2014, the School District invested in nonnegotiable certificates of deposit, Fifth Third money market, Federal National Mortgage Association notes, municipal bonds, STAROhio and STAR Plus. STAROhio and STAR Plus 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 2014 were \$29,182, which includes \$9,898 assigned from other School District funds.

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(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 are not reported as liabilities on the cash basis financial statements. The debt proceeds are reported as receipts when received and payment of principal and interest are reported as disbursements when paid.

H. Intergovernmental Receipts

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

I. Inventory and Prepaid Items

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

J. Interfund Transactions

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

1. Transfers of resources from one fund to another fund through which resources are to be disbursed are recorded as transfers.
2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

K. Employer Contributions to Cost-Sharing Pension Plans

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

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

L. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

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

- a. Restricted net position – Consists of net position 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 position restricted for other purposes include resources restricted for grants and food service operations. As of June 30, 2014, the School District did not have any net position restricted by enabling legislation.
- b. Unrestricted net position – All other net position that does 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 position is available.

FUND FINANCIAL STATEMENTS

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

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

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)*

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

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

M. Receipts and Disbursements

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 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.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

N. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)*

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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 and STAR Plus);
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, 2014, the School District had \$710 in undeposited cash on hand which is included in the fund balance.

Deposits

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

At fiscal year-end, the carrying amount of the School District's deposits was \$3,510,249. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*," as of June 30, 2014, \$1,089,461 of the School District's bank balance of \$3,739,618 was exposed to custodial risk as discussed below, while \$2,650,157 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$803,607 held in a STAR Plus account. 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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)*

Investments

As of June 30, 2014, the School District's investments were as follows:

	Carrying Value	% of Investment Total	Maturities
STAROhio	\$ 392,270	21%	Available on demand.
Fifth Third Securities Money Market	12,676	1%	Available on demand.
Federal National Mortgage Association Notes	1,000,000	52%	1-5 years
Municipal Bonds	505,885	26%	1-5 years
	<u>\$ 1,910,831</u>	<u>100%</u>	

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.

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, the Fifth Third Securities money market carries a rating of AAAM and Federal National Mortgage Association notes and municipal bonds carry a rating of AA+ by Standard and Poor's.

STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2014 is 51 days and carries a rating of AAAM by Standard and Poor's.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

Custodial Credit Risk

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

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.

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The School District receives property taxes from Mercer County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**PARKWAY LOCAL SCHOOL DISTRICT
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)*

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other	\$ 105,366,060	93%	\$ 105,729,440	92%
Industrial/Commercial	5,013,550	4%	5,262,190	5%
Public Utility Personal Property	3,518,940	3%	3,406,510	3%
Total	\$ 113,898,550	100%	\$ 114,398,140	100%
Tax rate per \$1,000 of assessed valuation	\$ 38.17		\$ 38.17	

NOTE 5 - INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. On May 3, 2010, this tax was renewed for five years, effective January 1, 2011. 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.

NOTE 6 - DEBT OBLIGATIONS

The changes in the School District's debt obligations during fiscal year 2014 are as follows:

	Interest Rates	Principal Outstanding 6/30/2013	Additions	Deductions	Principal Outstanding 6/30/2014	Due Within One Year
General Obligation Bonds						
2003 Various Purpose Bonds						
Capital Appreciation Bonds	3.91 - 4.03%	\$ 101,067	\$ 0	\$ 101,067	\$ 0	\$ 0
2012 Various Purpose Refunding Bonds						
Serial Bonds	2.00 - 2.85%	8,375,000	0	190,000	8,185,000	560,000
Capital Appreciation Bonds	2.60 - 2.85%	384,994	0	0	384,994	0
Total 2012 Refunding Bonds		8,759,994	0	190,000	8,569,994	560,000
Total General Obligation Bonds		\$ 8,861,061	\$ 0	\$ 291,067	\$ 8,569,994	\$ 560,000

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

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

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

The capital appreciation bonds matured in fiscal year 2014. The maturity amount of the bonds was \$365,000 (\$101,067 of original principal plus accumulated accretion of \$263,933).

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

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

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

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

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

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2014, were as follows:

Fiscal Year Ending June 30	2012 Bonds			Total
	Serial Bonds	Capital Appreciation Bonds	Interest/Accretion	
2015	\$ 560,000	\$ 0	\$ 187,846	\$ 747,846
2016	575,000	0	176,496	751,496
2017	585,000	0	164,896	749,896
2018	595,000	0	153,096	748,096
2019	605,000	0	141,096	746,096
2020-2024	1,905,000	384,994	1,473,928	3,763,922
2025-2029	3,360,000	0	229,036	3,589,036
	\$ 8,185,000	\$ 384,994	\$ 2,526,394	\$ 11,096,388

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)*

NOTE 7 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, 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)	\$ 41,943,153
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Coverage provided by Ohio School Plan is as follows:

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

B. Ohio School Plan

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

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

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, 2013 and 2012 (the latest information available):

	2013	2012
Assets	\$ 6,841,599	\$ 5,351,369
Liabilities	4,052,930	2,734,952
Net Position	2,788,669	2,616,417

PARKWAY LOCAL SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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 2014, the School District's Workers' Compensation managed care organization is contracted Sheakley Unicomp.

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.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$179,614, \$163,590 and \$149,580, respectively; 76 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

PARKWAY LOCAL SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$586,872, \$577,115 and \$570,625, respectively; 85 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$22,769 made by the School District and \$17,890 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, no members of the Board of Education have elected social security. The Board’s liability is 6.2 percent of wages paid.

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 9 - POST EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69.

Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$20,497, \$19,691, and \$32,786, respectively; 76 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)*

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$10,420, \$9,241, and \$8,833, respectively; 76 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$45,144, \$44,393, and \$43,894, respectively; 85 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 10 - STATUTORY RESERVES

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

The following cash basis information describes the change in the fiscal year-end set-aside amounts for capital acquisition. State statute requires disclosing this information. For fiscal year ended June 30, 2014, the reserve activity was as follows:

	Capital Acquisition
Current Year Set Aside Requirement	\$ 176,331
Current Year Offsets	<u>(176,331)</u>
Total	<u>\$ 0</u>
Balance carried forward to FY 2015	<u>\$ 0</u>
Set-Aside Restricted Balance June 30, 2014	<u><u>\$ 0</u></u>

**PARKWAY LOCAL SCHOOL DISTRICT
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)*

NOTE 11 - FUND BALANCE

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

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

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable for:				
Unclaimed monies	\$ 1,351	\$ 0	\$ 0	\$ 1,351
Restricted for:				
Permanent Improvements	0	0	88,504	88,504
Debt Service	0	1,364,770	0	1,364,770
Food Service Operations	0	0	222,605	222,605
Extracurricular Activities	0	0	24,617	24,617
Special Education	0	0	3,055	3,055
Regular Instruction	0	0	979	979
Facility Maintenance	0	0	94,367	94,367
Preschool	0	0	16,852	16,852
Total Restricted	<u>0</u>	<u>1,364,770</u>	<u>450,979</u>	<u>1,815,749</u>
Assigned for:				
Instruction	32,149	0	0	32,149
Support Services	20,186	0	0	20,186
Educational Activities	44,135	0	0	44,135
Subsequent Years Appropriations	1,893,938	0	0	1,893,938
Total Assigned	<u>1,990,408</u>	<u>0</u>	<u>0</u>	<u>1,990,408</u>
Unassigned	<u>1,545,604</u>	<u>0</u>	<u>0</u>	<u>1,545,604</u>
Total Fund Balance	<u>\$ 3,537,363</u>	<u>\$ 1,364,770</u>	<u>\$ 450,979</u>	<u>\$ 5,353,112</u>

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

A. Mercer County Local Professional Development Committee (“Committee”)

The School District is a participant in the Mercer County Local Professional Development Committee, which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by an eleven-member board made up of six teachers, two principals, one superintendent and two members employed by the Mercer County Educational Service Center. Board members serve two-year terms. The degree of control exercised by any participating educational entity is limited to its representation on the Board. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

B. Northwest Ohio Area Computer Services Cooperative (“NOACSC”)

The School District is a participant in NOACSC which is a computer consortium. NOACSC is an association of local and city public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2014, the School District paid \$39,405. Financial information can be obtained from Northwest Ohio Area Computer Services Cooperative 645 South Main Street, Lima, Ohio 45804.

C. Vantage Career Center (“Career Center”)

The Vantage Career Center is a distinct political subdivision of the State of Ohio which provides vocational instruction to students. The Career Center is operated under the direction of a Board consisting of thirteen members: ten local school districts, one exempted village school district, and two city school districts. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Vantage Career Center Treasurer, 818 North Franklin, Van Wert, Ohio 45891-1304.

D. West Central Regional Professional Development Center (“Center”)

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

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

E. West Central Ohio Special Education Regional Resource Center (“SERRC”)

The SERRC is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents.

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

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

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)*

F. Northwestern Ohio Educational Research Council, Inc. (“NOERC”)

The NOERC is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training.

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

NOTE 13 - GROUP PURCHASING POOLS

A. Ohio School Plan

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

B. Mercer Auglaize Employee Benefit Trust

The Mercer Auglaize Employee Benefit Trust (Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(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 or treasurer 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 Corporate One Benefits Corporate Agency, Inc., 220 Perry St., Suite 200, PO Box 906, Fostoria, OH 44830 or by calling (419) 436-4085.

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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)*

D. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (EPC) is a council of governments with over 40 years of shared services experience, pooling the purchasing power of over 130 Ohio School Districts. Financial information can be obtained by contacting the EPC at 303 Corporate Center Dr., Suite 208, Vandalia, OH, 45377 or by calling (937)890-3725.

NOTE 14 - 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.

NOTE 15 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

B. Litigation

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

C. Other Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 55,211
Nonmajor Governmental	54,919
	<u>\$ 110,130</u>

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)*

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net change in Fund Balance	
	<u>General Fund</u>
Budget basis	\$ 106,092
Funds budgeted elsewhere**	(3,918)
Adjustment for encumbrances	<u>52,337</u>
Cash basis	<u><u>\$ 154,511</u></u>

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

NOTE 17 - ACCOUNTABILITY AND COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2014, 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, deferred outflows of resources, deferred inflows of resources, 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, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(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, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position decreased \$585,334, primarily due to an overall increase in disbursements, excluding the prior audit's Refunding Payment to Escrow Agent.
- Outstanding debt decreased from \$9,069,993 to \$8,861,061 through principal payments made during the current year.

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 Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2013, the general fund and the bond fund are the School District's most significant funds.

Basis of Accounting

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

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

Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(UNAUDITED)
(Continued)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The statement of net position and the statement of activities answer this question.

These two statements report the School District's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 50. 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 bond fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Reporting the School District's Fiduciary Responsibilities

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

Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(UNAUDITED)
(Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to 2012.

(Table 1)
Net Position – Cash Basis

	Governmental Activities	
	2013	2012
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 5,301,296	\$ 5,886,630
<i>Total Assets</i>	\$ 5,301,296	\$ 5,886,630
Net Position		
Restricted for:		
Capital Projects	\$ 111,860	\$ 875,972
Debt Service	1,359,756	1,166,626
Other Purposes	446,828	452,977
Unrestricted	3,382,852	3,391,055
<i>Total Net Position</i>	\$ 5,301,296	\$ 5,886,630

Net position of the governmental activities decreased \$585,334, which represents a 9.94 percent decrease from fiscal year 2012. The decrease is due primarily to a large increase of disbursements for capital outlay due to improvements made to the football field and track during the fiscal year.

A portion of the School District's net position, \$1,918,444 or 36.19 percent, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$3,382,852 may be used to meet the School District's ongoing obligations.

Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(UNAUDITED)
(Continued)

Table 2 shows the changes in net position for fiscal year 2013 as compared to fiscal year 2012.

(Table 2)
Changes in Net Position – Cash Basis

	Governmental Activities	
	2013	2012
Receipts		
Program Receipts		
Charges for Services and Sales	\$ 1,263,860	\$ 1,164,955
Operating Grants, Contributions and Interest	802,636	981,712
Capital Grants, Contributions and Interest	0	306
<i>Total Program Receipts</i>	<u>2,066,496</u>	<u>2,146,973</u>
General Receipts		
Property Taxes	3,271,214	3,189,860
Income Taxes	1,143,472	1,118,102
Grants and Entitlements not Restricted to Specific Programs	5,939,750	5,907,151
Proceeds from Sale of Capital Assets	0	290
Premium on Debt Issuance	0	672,874
Insurance recoveries	66,703	17,310
Refunding Bonds Issued	0	8,854,994
Interest Earnings	17,116	16,120
Miscellaneous	37,916	38,680
<i>Total General Receipts</i>	<u>10,476,171</u>	<u>19,815,381</u>
<i>Total Receipts</i>	<u>12,542,667</u>	<u>21,962,354</u>
Program Disbursements		
Instruction:		
Regular	4,976,241	4,797,201
Special	2,060,595	2,032,315
Vocational	200,659	188,371
Support Services:		
Pupils	302,509	301,454
Instructional Staff	545,757	513,757
Board of Education	14,612	15,713
Administration	869,112	863,624
Fiscal	363,931	344,370
Business	704	0
Operation and Maintenance of Plant	1,051,761	965,879
Pupil Transportation	489,165	427,775
Central	28,526	14,378
Operation of Non-Instructional Services		
Food Service Operations	464,733	460,715
Extracurricular Activities	462,700	417,692
Capital Outlay	641,012	248,447
Debt Service:		
Refunding payment to escrow agent	0	9,417,056
Principal Retirement	208,932	355,000
Interest and Fiscal Charges	447,052	398,033
Issuance Costs	0	105,324
<i>Total Program Disbursements</i>	<u>13,128,001</u>	<u>21,867,104</u>
<i>Change in Net Position</i>	(585,334)	95,250
<i>Net Position Beginning of Year</i>	<u>5,886,630</u>	<u>5,791,380</u>
<i>Net Position End of Year</i>	<u>\$ 5,301,296</u>	<u>\$ 5,886,630</u>

Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
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(Continued)

The School District experienced a large increase in disbursements for capital outlay due to improvements made to the football field and track during fiscal year 2013.

Governmental Activities

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

(Table 3)
Governmental Activities – Cash Basis

	Total Costs of Services		Net Costs of Services	
	2013	2012	2013	2012
<i>Program Disbursements</i>				
Instruction:				
Regular	\$ 4,976,241	\$ 4,797,201	\$ 4,225,980	\$ 3,997,758
Special	2,060,595	2,032,315	1,621,700	1,609,718
Vocational	200,659	188,371	152,906	164,796
Support Services:				
Pupils	302,509	301,454	302,509	299,836
Instructional Staff	545,757	513,757	540,357	479,636
Board of Education	14,612	15,713	14,612	15,713
Administration	869,112	863,624	739,890	735,593
Fiscal	363,931	344,370	363,931	344,370
Business	704	0	704	0
Operation and Maintenance of Plant	1,051,761	965,879	1,011,515	893,595
Pupil Transportation	489,165	427,775	489,165	427,775
Central	28,526	14,378	28,526	10,893
Operation of Non-Instructional Services				
Food Service Operations	464,733	460,715	14,721	(5,903)
Extracurricular Activities	462,700	417,692	257,993	222,797
Capital Outlay	641,012	248,447	641,012	248,141
Debt Service:				
Refunding payment to escrow agent	0	9,417,056	0	9,417,056
Principal Retirement	208,932	355,000	208,932	355,000
Interest and Fiscal Charges	447,052	398,033	447,052	398,033
Issuance Costs	0	105,324	0	105,324
Total	\$ 13,128,001	\$ 21,867,104	\$ 11,061,505	\$ 19,720,131

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 16 percent of all governmental expenses. The community is the largest area of support for the School District students.

Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(UNAUDITED)
(Continued)

The School District's Funds

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

The School District's governmental funds reported a combined fund balance of \$5,301,296, which is lower than the prior year balance of \$5,886,630.

The general fund had total cash receipts (including other financing sources) of \$10,275,726. The cash disbursements of the general fund totaled \$10,283,929. The general fund's fund balance decreased \$8,203 in fiscal year 2013. The decrease in fund balance can be attributed to an overall increase in disbursements.

The bond fund had total cash receipts of \$870,352 and total cash disbursements of \$677,222, with an increase in fund balance of \$193,130 in fiscal year 2013. The increase in fund balance is primarily due to the principal and interest payments on outstanding debt being less than the property tax and homestead and rollback receipts.

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 2013, the School District amended its general fund budget several times. For the general fund, final budget basis receipts (including other financing sources) were \$10,123,994, representing an increase of \$184,021 from the original estimate of \$9,939,973. Actual receipts (including other financing sources) of \$10,134,027 were \$10,033 higher than the final budget. Of this increase, most was attributable to an increase in intergovernmental receipts.

For fiscal year 2013, the general fund final budget basis disbursements (including other financing uses) were \$10,935,697, which is over the original budgeted disbursements of \$10,567,141. Actual disbursements (including other financing uses) of \$10,161,021 were \$774,676 lower than the final budget. Actual instruction, operation and maintenance of plant, and pupil transportation were significantly under budgeted expectations.

Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(UNAUDITED)
(Continued)

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2013 and 2012.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2013	2012
2003 Various Purpose Bonds	\$ 101,067	\$ 214,999
2012 Refunding Bonds	8,759,994	8,854,994
<i>Total</i>	\$ 8,861,061	\$ 9,069,993

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

Current Issues

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

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

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

The Parkway Local School District is primarily dependent on State funding. Funding from the State and other Intergovernmental sources was 53% of total receipts for Governmental Funds.

Parkway Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(UNAUDITED)
(Continued)

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

Contacting the School District's Financial Management

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

Parkway Local School District
Mercer County, Ohio
Statement of Net Position - Cash Basis
June 30, 2013

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 5,301,296
<i>Total Assets</i>	<i>\$ 5,301,296</i>
Net Position	
Restricted for:	
Capital Projects	\$ 111,860
Debt Service	1,359,756
Other Purposes	446,828
Unrestricted	3,382,852
<i>Total Net Position</i>	<i>\$ 5,301,296</i>

See accompanying notes to the basic financial statements.

Parkway Local School District
Mercer County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2013

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 4,976,241	\$ 657,414	\$ 92,847	\$ (4,225,980)
Special	2,060,595	36,605	402,290	(1,621,700)
Vocational	200,659	0	47,753	(152,906)
Support Services:				
Pupils	302,509	0	0	(302,509)
Instructional Staff	545,757	0	5,400	(540,357)
Board of Education	14,612	0	0	(14,612)
Administration	869,112	129,222	0	(739,890)
Fiscal	363,931	0	0	(363,931)
Business	704	0	0	(704)
Operation and Maintenance of Plant	1,051,761	0	40,246	(1,011,515)
Pupil Transportation	489,165	0	0	(489,165)
Central	28,526	0	0	(28,526)
Operation of Non-Instructional Services				
Food Service Operations	464,733	262,721	187,291	(14,721)
Extracurricular Activities	462,700	177,898	26,809	(257,993)
Capital Outlay	641,012	0	0	(641,012)
Debt Service:				
Principal Retirement	208,932	0	0	(208,932)
Interest and Fiscal Charges	447,052	0	0	(447,052)
Totals	\$ 13,128,001	\$ 1,263,860	\$ 802,636	(11,061,505)

General Receipts

Property Taxes Levied for:

General Purposes	2,385,463
Debt Service	749,460
Capital Projects	97,234
Building Maintenance	39,057
Income Tax	1,143,472
Grants and Entitlements not Restricted to Specific Programs	5,939,750
Insurance recoveries	66,703
Interest Earnings	17,116
Miscellaneous	37,916

Total General Receipts 10,476,171

Change in Net Position (585,334)

Net Position Beginning of Year 5,886,630

Net Position End of Year \$ 5,301,296

See accompanying notes to the basic financial statements.

Parkway Local School District
Mercer County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2013

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 3,382,852	\$ 1,359,756	\$ 558,688	\$ 5,301,296
<i>Total Assets</i>	<u>\$ 3,382,852</u>	<u>\$ 1,359,756</u>	<u>\$ 558,688</u>	<u>\$ 5,301,296</u>
Fund Balances				
Nonspendable	\$ 4,661	\$ 0	\$ 0	\$ 4,661
Restricted	0	1,359,756	558,688	1,918,444
Assigned	977,392	0	0	977,392
Unassigned	<u>2,400,799</u>	<u>0</u>	<u>0</u>	<u>2,400,799</u>
<i>Total Fund Balances</i>	<u>\$ 3,382,852</u>	<u>\$ 1,359,756</u>	<u>\$ 558,688</u>	<u>\$ 5,301,296</u>

See accompanying notes to the basic financial statements.

Parkway Local School District
Mercer County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General Fund	Bond Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 2,385,463	\$ 749,460	\$ 136,291	\$ 3,271,214
Income Taxes	1,143,472	0	0	1,143,472
Intergovernmental	5,843,492	120,892	738,681	6,703,065
Interest Income	17,116	0	1,551	18,667
Tuition and Fees	643,638	0	45,946	689,584
Extracurricular Activities	129,221	0	177,899	307,120
Gifts and Donations	6,960	0	30,809	37,769
Charges for Services	1,205	0	262,722	263,927
Rent	3,230	0	0	3,230
Miscellaneous	35,226	0	2,690	37,916
<i>Total Receipts</i>	<u>10,209,023</u>	<u>870,352</u>	<u>1,396,589</u>	<u>12,475,964</u>
Disbursements				
Current:				
Instruction:				
Regular	4,870,612	0	105,629	4,976,241
Special	1,657,217	0	403,378	2,060,595
Vocational	200,659	0	0	200,659
Support Services:				
Pupils	301,335	0	1,174	302,509
Instructional Staff	451,119	0	94,638	545,757
Board of Education	14,612	0	0	14,612
Administration	864,120	0	4,992	869,112
Fiscal	338,883	21,238	3,810	363,931
Business	704	0	0	704
Operation and Maintenance of Plant	927,773	0	123,988	1,051,761
Pupil Transportation	411,583	0	77,582	489,165
Central	20,015	0	8,511	28,526
Extracurricular Activities	225,297	0	237,403	462,700
Operation of Non-Instructional Services:				
Food Service Operations	0	0	464,733	464,733
Capital Outlay	0	0	641,012	641,012
Debt Service:				
Principal Retirement	0	208,932	0	208,932
Interest and Fiscal Charges	0	447,052	0	447,052
<i>Total Disbursements</i>	<u>10,283,929</u>	<u>677,222</u>	<u>2,166,850</u>	<u>13,128,001</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(74,906)</u>	<u>193,130</u>	<u>(770,261)</u>	<u>(652,037)</u>
Other Financing Sources (Uses)				
Insurance Recoveries	66,703	0	0	66,703
<i>Net Change in Fund Balances</i>	(8,203)	193,130	(770,261)	(585,334)
<i>Fund Balances Beginning of Year</i>	<u>3,391,055</u>	<u>1,166,626</u>	<u>1,328,949</u>	<u>5,886,630</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,382,852</u>	<u>\$ 1,359,756</u>	<u>\$ 558,688</u>	<u>\$ 5,301,296</u>

See accompanying notes to the basic financial statements.

Parkway Local School District
Mercer County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 2,339,784	\$ 2,383,101	\$ 2,385,463	\$ 2,362
Income Taxes	1,121,576	1,142,340	1,143,472	1,132
Intergovernmental	5,731,596	5,837,707	5,843,492	5,785
Investment Income	16,788	17,099	17,116	17
Tuition and Fees	631,313	643,001	643,638	637
Gifts and Donations	736	749	750	1
Charges for Services	1,182	1,204	1,205	1
Rent	3,168	3,227	3,230	3
Miscellaneous	24,284	24,733	24,758	25
<i>Total Receipts</i>	<u>9,870,427</u>	<u>10,053,161</u>	<u>10,063,124</u>	<u>9,963</u>
Disbursements				
Current:				
Instruction:				
Regular	5,078,780	5,095,312	4,878,839	216,473
Special	1,725,132	1,770,259	1,657,217	113,042
Vocational	209,450	227,661	201,204	26,457
Support Services:				
Pupils	313,644	309,919	301,296	8,623
Instructional Staff	469,609	528,585	451,121	77,464
Board of Education	15,211	17,952	14,612	3,340
Administration	750,616	751,987	721,066	30,921
Fiscal	352,771	349,190	338,883	10,307
Business	0	704	704	0
Operation and Maintenance of Plant	966,593	1,081,382	928,540	152,842
Pupil Transportation	431,009	534,965	414,041	120,924
Central	20,835	22,131	20,015	2,116
Extracurricular Activities	233,297	245,372	233,297	12,075
<i>Total Disbursements</i>	<u>10,566,947</u>	<u>10,935,419</u>	<u>10,160,835</u>	<u>774,584</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(696,520)</u>	<u>(882,258)</u>	<u>(97,711)</u>	<u>784,547</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	4,120	4,196	4,200	4
Refund of Prior Year Receipts	(194)	(278)	(186)	92
Insurance Recoveries	65,426	66,637	66,703	66
<i>Total Other Financing Sources (Uses)</i>	<u>69,352</u>	<u>70,555</u>	<u>70,717</u>	<u>162</u>
<i>Net Change in Fund Balance</i>	(627,168)	(811,703)	(26,994)	784,709
<i>Fund Balance Beginning of Year</i>	3,214,397	3,214,397	3,214,397	0
Prior Year Encumbrances Appropriated	123,674	123,674	123,674	0
<i>Fund Balance End of Year</i>	<u>\$ 2,710,903</u>	<u>\$ 2,526,368</u>	<u>\$ 3,311,077</u>	<u>\$ 784,709</u>

See accompanying notes to the basic financial statements.

Parkway Local School District
Mercer County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 17,419	\$ 47,905
Cash and Cash Equivalents in Segregated Accounts	0	9,285
<i>Total Assets</i>	\$ 17,419	\$ 57,190
 Net Position		
Held in Trust for:		
Scholarships	\$ 15,853	\$ 0
Employees	0	9,285
Students	1,566	47,905
<i>Total Net Position</i>	\$ 17,419	\$ 57,190

See accompanying notes to the basic financial statements.

Parkway Local School District
Mercer County, Ohio
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 16,890
Interest	17
	16,907
<i>Total Additions</i>	<i>16,907</i>
 Deductions	
Payments in Accordance with Trust Agreements	33,707
<i>Change in Net Position</i>	<i>(16,800)</i>
<i>Net Position Beginning of Year</i>	<i>34,219</i>
<i>Net Position End of Year</i>	<i>\$ 17,419</i>

See accompanying notes to the basic financial statements.

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**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

NOTE 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 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 four 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, Southwestern Ohio Educational Purchasing Council, and the Rockford Carnegie Public Library. These organizations are presented in Notes 12, 13, and 14 to the financial statements.

NOTE 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. Following are the more significant of the School District’s accounting policies.

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position 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 position 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.

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.

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

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:

Governmental Funds/Governmental Activities

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

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

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

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

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 position) 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, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(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 object 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.

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.

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.

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 object appropriations within the general fund, must be approved by the Board of Education.

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(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.

Encumbrances

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

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 reappropriated.

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 2013, the School District invested in nonnegotiable certificates of deposits, Fifth Third money market, Federal National Mortgage Association bonds and STAROhio/STAR Plus. 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 2013 were \$17,116, which includes \$6,353 assigned from other School District funds.

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(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 are not reported as liabilities on the cash basis financial statements. The debt proceeds are reported as receipts when received and payment of principal and interest are reported as disbursements when paid.

H. Intergovernmental Receipts

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

I. Inventory and Prepaid Items

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

J. Interfund Transactions

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

1. Transfers of resources from one fund to another fund through which resources are to be disbursed are recorded as transfers.
2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

K. Employer Contributions to Cost-Sharing Pension Plans

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

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

L. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

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

- a. Restricted net position – Consists of net position 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 position restricted for other purposes include resources restricted for grants and food service operations. As of June 30, 2013, the School District did not have any net position restricted by enabling legislation.
- b. Unrestricted net position – All other net position that does 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 position is available.

FUND FINANCIAL STATEMENTS

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

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

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

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

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

M. Receipts and Disbursements

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 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.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

N. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34," GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School District.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

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 and STAR Plus);
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, 2013, the School District had \$710 in undeposited cash on hand which is included in the fund balance.

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, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

At fiscal year-end, the carrying amount of the School District’s deposits was \$3,350,763. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, \$916,219 of the School District’s bank balance of \$3,449,204 was exposed to custodial risk as discussed below, while \$2,532,985 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$1,201,574 held in a STAR Plus account. 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.

Investments

As of June 30, 2013, the School District’s investments were as follows:

	Carrying Value	% of Investment Total	Maturities
STAROhio	\$ 212,677	11%	Available on demand.
Fifth Third Securities Money Market	811,755	40%	Available on demand.
Federal National Mortgage Association	1,000,000	49%	1-5 years
	\$ 2,024,432	100%	

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.

Credit Risk

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

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

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

STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2013 is 58 days and carries a rating of AAAM by Standard and Poor’s.

PARKWAY LOCAL SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

Custodial Credit Risk

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

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.

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

**PARKWAY LOCAL SCHOOL DISTRICT
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

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, 2013, are available to finance fiscal year 2013 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 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other				
Real Estate	\$ 104,911,030	93%	\$ 105,366,060	93%
Industrial;/Commercial	4,994,520	4%	5,013,550	4%
Public Utility	3,002,130	3%	3,518,940	3%
Total	\$ 112,907,680	100%	\$ 113,898,550	100%
Tax rate per \$1,000 of assessed valuation	\$ 45.50		\$ 38.17	

NOTE 5 - INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. On May 3, 2010, this tax was renewed for five years, effective January 1, 2011. 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.

NOTE 6 - DEBT OBLIGATIONS

The changes in the School District's debt obligations during fiscal year 2013 are as follows:

	Interest Rates	Principal Outstanding 6/30/2012	Additions	Deductions	Principal Outstanding 6/30/2013	Due Within One Year
General Obligation Bonds						
2003 Various Purpose Bonds						
Capital Appreciation Bonds	3.91 - 4.03%	\$ 214,999	\$ 0	\$ 113,932	\$ 101,067	\$ 101,067
Total 2003 Various Purpose Bonds		214,999	0	113,932	101,067	101,067
2012 Various Purpose Refunding Bonds						
Serial Bonds	2.00 - 2.85%	8,470,000	0	95,000	8,375,000	190,000
Capital Appreciation Bonds	2.60 - 2.85%	384,994	0	0	384,994	0
Total 2012 Refunding Bonds		8,854,994	0	95,000	8,759,994	190,000
Total General Obligation Bonds		\$ 9,069,993	\$ 0	\$ 208,932	\$ 8,861,061	\$ 291,067

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

PARKWAY LOCAL SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

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

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

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

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

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

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

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

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2013, were as follows:

Fiscal Year Ending June 30	2003 Issue		2012 Issue		Interest/Accretion	Total
	Capital Appreciation Bonds	Serial Bonds	Capital Appreciation Bonds			
2014	\$ 101,067	\$ 190,000	\$ 0		\$ 459,279	\$ 750,346
2015	0	560,000	0		187,846	747,846
2016	0	575,000	0		176,496	751,496
2017	0	585,000	0		164,896	749,896
2018	0	595,000	0		153,096	748,096
2019 - 2023	0	1,860,000	384,994		1,515,426	3,760,420
2024 - 2028	0	3,415,000	0		320,156	3,735,156
2029	0	595,000	0		8,479	603,479
	<u>\$ 101,067</u>	<u>\$ 8,375,000</u>	<u>\$ 384,994</u>		<u>\$ 2,985,674</u>	<u>\$11,846,735</u>

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

NOTE 7 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

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

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

B. Ohio School Plan

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

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

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, 2012 and 2011 (the latest information available):

	2012	2011
Assets	\$5,351,369	\$4,280,876
Liabilities	2,734,952	1,812,420
Net Position	\$2,616,417	\$2,468,456

PARKWAY LOCAL SCHOOL DISTRICT
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For the Fiscal Year Ended June 30, 2013
(Continued)

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 2013, 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.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$163,590, \$149,580 and \$107,551, respectively; 66 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011.

**PARKWAY LOCAL SCHOOL DISTRICT
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$577,115, \$570,625 and \$553,142, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$21,137 made by the School District and \$15,098 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, 2013
(Continued)

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, 2013, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 9 - POST EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, .16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$19,691, \$32,786, and \$16,790, respectively; 66 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$9,241, \$8,833, and \$8,923, respectively; 66 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$44,393, \$43,894, and \$42,549, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**PARKWAY LOCAL SCHOOL DISTRICT
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

NOTE 10 - FUND BALANCE

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

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

	General Fund	Bond Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable for:				
Unclaimed monies	\$ 4,661	\$ 0	\$ 0	\$ 4,661
Total Nonspendable	4,661	0	0	4,661
Restricted for:				
Permanent Improvements	0	0	111,860	111,860
Debt Service	0	1,359,756	0	1,359,756
Food Service Operations	0	0	226,411	226,411
Extracurricular Activities	0	0	27,044	27,044
Special Education	0	0	1,802	1,802
Regular Instruction	0	0	17,380	17,380
Facility Maintenance	0	0	145,521	145,521
Preschool	0	0	28,670	28,670
Total Restricted	0	1,359,756	558,688	1,918,444
Assigned for:				
Instruction	9,188	0	0	9,188
Support Services	5,632	0	0	5,632
Educational Activities	52,292	0	0	52,292
Subsequent years appropriations	910,280	0	0	910,280
Total Assigned	977,392	0	0	977,392
Unassigned	2,400,799	0	0	2,400,799
Total Fund Balance	\$ 3,382,852	\$ 1,359,756	\$ 558,688	\$ 5,301,296

NOTE 11 - STATUTORY RESERVES

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

**PARKWAY LOCAL SCHOOL DISTRICT
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

The following cash basis information describes the change in the fiscal year-end set-aside amounts for capital acquisition. State statute requires disclosing this information. For fiscal year ended June 30, 2013, the reserve activity was as follows:

	Capital Acquisition
Current Year Set Aside Requirement	176,189
Current Year Offsets	(176,189)
Total	\$ 0
Balance carried forward to FY 2014	\$ 0
Set-Aside Restricted Balance June 30, 2013	\$ 0

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

A. Mercer County Local Professional Development Committee (“Committee”)

The School District is a participant in the Mercer County Local Professional Development Committee, which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by an eleven-member board made up of six teachers, two principals, one superintendent and two members employed by the Mercer County Educational Service Center. Board members serve two-year terms. The degree of control exercised by any participating educational entity is limited to its representation on the Board. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

B. Northwest Ohio Area Computer Services Cooperative (“NOACSC”)

The School District is a participant in NOACSC which is a computer consortium. NOACSC is an association of local and city public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2013, the School District paid \$21,390. Financial information can be obtained from Northwest Ohio Area Computer Services Cooperative 645 South Main Street, Lima, Ohio 45804.

C. Vantage Career Center (“Career Center”)

The Vantage Career Center is a distinct political subdivision of the State of Ohio which provides vocational instruction to students. The Career Center is operated under the direction of a Board consisting of thirteen members: ten local school districts, one exempted village school district, and two city school districts. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Vantage Career Center Treasurer, 818 North Franklin, Van Wert, Ohio 45891-1304.

**PARKWAY LOCAL SCHOOL DISTRICT
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

D. West Central Regional Professional Development Center (“Center”)

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

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

E. West Central Ohio Special Education Regional Resource Center (“SERRC”)

The SERRC is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents.

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

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

F. Northwestern Ohio Educational Research Council, Inc. (“NOERC”)

The NOERC is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training.

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

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

NOTE 13 - GROUP PURCHASING POOLS

A. Ohio School Plan

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

B. Mercer Auglaize Employee Benefit Trust

The Mercer Auglaize Employee Benefit Trust (Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(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 or treasurer 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 Corporate One Benefits Corporate Agency, Inc., 220 Perry St., Suite 200, PO Box 906, Fostoria, OH 44830 or by calling (419) 436-4085.

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.

D. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (EPC) is a council of governments with over 40 years of shared services experience, pooling the purchasing power of over 130 Ohio School Districts. Financial information can be obtained by contacting the EPC at 303 Corporate Center Dr., Suite 208, Vandalia, OH, 45377 or by calling (937)890-3725.

PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 14 - 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.

NOTE 15 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

B. Litigation

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

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	
	<u>General Fund</u>
Budget basis	\$ (26,994)
Funds budgeted elsewhere**	(3,578)
Adjustment for encumbrances	<u>22,369</u>
Cash basis	<u>\$ (8,203)</u>

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

NOTE 17 - ACCOUNTABILITY AND COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2013, 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.

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Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Parkway Local School District, Mercer County, (the School District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 23, 2015, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 through 2014-004.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

January 23, 2015

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Not Reporting in Accordance with GAAP - Noncompliance

Ohio Rev. Code §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 §117-2-03(B) further clarifies the requirements of Ohio Rev. Code §117.38.

Ohio Adm. Code §117-2-03(B) requires the School district to its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for 2013 and 2014 following the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code §117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

Official's Response:

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

FINDING NUMBER 2014-002

Severance Overpayment – Finding for Recovery Repaid Under Audit

Collective Bargaining Agreement between the Parkway Education Association and the Parkway Local Board of Education, effective July 1, 2012 through June 30, 2015, employees are eligible to receive severance if they meet certain requirements. Section 8.07 of the collective Bargaining Agreement states "Upon retirement any certified employee age fifty-four (54) or younger in the year of separation from active service who meets the state requirement of a minimum of ten years of active service, shall be paid severance pay during the following January. Severance pay shall be calculated as follows: The maximum payment shall be for one-fourth of one hundred ninety-five (195) days, plus an additional one (1) day for each year over twenty years of service in unused sick leave credit in the Rockford, Willshire, Mendon, and Parkway School systems (62 day maximum) multiplied by the employee's daily rate of pay at the time of retirement."

**FINDING NUMBER 2014-002
(Continued)**

On September 7, 2012 and September 19, 2012, Karen Kraner received a total of \$8,036 as a severance payout. This amount was calculated based on a maximum of 62 unused sick days at a daily pay rate of \$131.35. However, per the employee's salary notification for the 2011/2012 contract year, an hourly rate of \$16 per hour for 8 hours per day was noted resulting in a daily rate of \$128. This resulted in an overpayment of \$99.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code §117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Karen Kraner, and in favor of Parkway Local School District General Fund, in the amount of \$99. Upon notification of the error by the Auditor of State's office, the School District pursued collection of the overpayment. Repayment was collected on August 12, 2014 per receipt #5713.

Official's Response:

This error was corrected and internal control procedures have been implemented to prevent future errors of this type.

FINDING NUMBER 2014-003

Severance Overpayment – Finding for Recovery Repaid Under Audit

According to the Collective Bargaining Agreement between the Parkway Education Association and the Parkway Local Board of Education, effective July 1, 2012 through June 30, 2015, employees are eligible to receive severance if they meet certain requirements. Section 8.07 of the collective Bargaining Agreement states "Upon retirement any certified employee age fifty-four (54) or younger in the year of separation from active service who meets the state requirement of a minimum of ten years of active service, shall be paid severance pay during the following January. Severance pay shall be calculated as follows: The maximum payment shall be for one-fourth of one hundred ninety-five (195) days, plus an additional one (1) day for each year over twenty years of service in unused sick leave credit in the Rockford, Willshire, Mendon, and Parkway School systems (62 day maximum) multiplied by the employee's daily rate of pay at the time of retirement... RETIREMENT INCENTIVE - In addition to the severance pay currently provided under the section above, all teachers meeting the requirements of and who retire in accordance with this section shall receive an additional amount of seven thousand, five hundred dollars (\$7,500), payable in a lump sum by January 31st of the new calendar year."

On January 31, 2014, Mickey McConahay received \$27,953 as a severance payout. This amount was calculated based on one-fourth of 226.75 unused sick days totaling 56.6875 days plus 10 additional days for each year over 20 served in the District for a total of 66.6875 (paid based on max of 62) days paid at a daily pay rate of \$329.89 plus the \$7,500 bonus. However, per the collective bargaining agreement, a max of one-fourth of 195 unused sick leave days totaling 49 days was to be used in the calculation. Also, per the salary notification for the 2012/2013 contract year, the employee only had 27 years of District experience, instead of the 30 used in the calculation, therefore only 7 extra days for the addition years over 20 serviced in the District should have been used in the calculation. These miscalculations resulted in an overpayment of \$1,979.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code §117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Mickey McConahay, and in favor of Parkway Local School District General Fund, in the amount of \$1,979. Upon notification of the error by the Auditor of State's office, the School District pursued collection of the overpayment. Repayment was collected on August 18, 2014 per receipt #5718.

**FINDING NUMBER 2014-003
(Continued)**

Official's Response:

This error was corrected and internal control procedures have been implemented to prevent future errors of this type.

FINDING NUMBER 2014-004

Severance Overpayment – Finding for Recovery Repaid Under Audit

According to the Collective Bargaining Agreement between the Parkway Education Association and the Parkway Local Board of Education, effective July 1, 2012 through June 30, 2015, employees are eligible to receive severance if they meet certain requirements. Section 8.07 of the collective Bargaining Agreement states "Upon retirement any certified employee age fifty-four (54) or younger in the year of separation from active service who meets the state requirement of a minimum of ten years of active service, shall be paid severance pay during the following January. Severance pay shall be calculated as follows: The maximum payment shall be for one-fourth of one hundred ninety-five (195) days, plus an additional one (1) day for each year over twenty years of service in unused sick leave credit in the Rockford, Willshire, Mendon, and Parkway School systems (62 day maximum) multiplied by the employee's daily rate of pay at the time of retirement... RETIREMENT INCENTIVE - In addition to the severance pay currently provided under the section above, all teachers meeting the requirements of and who retire in accordance with this section shall receive an additional amount of seven thousand, five hundred dollars (\$7,500), payable in a lump sum by January 31"of the new calendar year."

On January 11, 2013, Lynne Miller received \$25,874 as a severance payout. This amount was calculated based on one-fourth of 230 unused sick days totaling 57.5 days plus 6 additional days for each year over 20 served in the District for a total of 63.5 days (62 days were paid based on the maximum of 62 days) paid at a daily pay rate of \$296.35 plus the \$7,500 bonus. However, per the collective bargaining agreement, a max of one-fourth of 195 unused sick leave days totaling 49 days was to be used in the calculation. This resulted in an overpayment of \$2,074.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code §117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Lynne Miller, and in favor of Parkway Local School District General Fund, in the amount of \$2,074. Upon notification of the error by the Auditor of State's office, the School District pursued collection of the overpayment. Repayment was collected on August 18, 2014 per receipt #5717.

Official's Response:

This error was corrected and internal control procedures have been implemented to prevent future errors of this type.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code Section 117.38 & Ohio Admin. Code Section 117-2-03(B) – failed to prepare financial statements in accordance with GAAP	No	Repeated as finding number 2014-001



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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 School 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 October 8, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act";

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

January 23, 2015

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Dave Yost • Auditor of State

PARKWAY LOCAL SCHOOL DISTRICT

MERCER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 17, 2015**