



Dave Yost • Auditor of State

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY
JUNE 30, 2016 AND 2015**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2016.....	3
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2016.....	4
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds – June 30, 2016.....	5
Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds – For the Fiscal Year Ended June 30, 2016.....	6
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual - Budget Basis – General Fund – For the Fiscal Year Ended June 30, 2016	7
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds - June 30, 2016	8
Statement of Change in Fiduciary Net Position – Cash Basis – Fiduciary Fund For the Fiscal Year Ended June 30, 2016	9
Notes to the Basic Financial Statements - For the Fiscal Year Ended June 30, 2016.....	11
Management's Discussion and Analysis – For the Fiscal Year Ended June 30, 2015	41
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2015.....	49
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2015.....	50
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds – June 30, 2015.....	51
Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds – For the Fiscal Year Ended June 30, 2015.....	52
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual - Budget Basis – General Fund – For the Fiscal Year Ended June 30, 2015	53

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY
JUNE 30, 2016 AND 2015**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds - June 30, 2015	54
Statement of Change in Fiduciary Net Position – Cash Basis – Fiduciary Fund For the Fiscal Year Ended June 30, 2015	55
Notes to the Basic Financial Statements for the Fiscal Year Ended June 30, 2015	57
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i>	87
Schedule of Findings.....	89
Prepared by Management:	
Summary Schedule of Prior Audit Findings	90



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 cash-basis 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, 2016 and 2015, 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 2 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, 2016 and 2015, 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 2.

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 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, 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 July 18, 2017, 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.



Dave Yost
Auditor of State
Columbus, Ohio

July 18, 2017

Parkway Local School District
Mercer County
Statement of Net Position - Cash Basis
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,718,795</u>
Net Position	
Restricted for:	
Debt Service	\$1,366,070
Capital Improvements	75,840
Other Purposes	263,787
Unrestricted	<u>5,013,098</u>
<i>Total Net Position</i>	<u>\$6,718,795</u>

See accompanying notes to the basic financial statements

Parkway Local School District
Mercer County
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2016

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$5,641,132	\$788,561	\$100,714	(\$4,751,857)
Special	2,209,188	73,274	893,549	(1,242,365)
Vocational	205,711	-	31,376	(174,335)
Support Services:				
Pupil	349,284	-	-	(349,284)
Instructional Staff	197,990	773	-	(197,217)
Board of Education	27,517	-	-	(27,517)
Administration	906,435	148,626	15,499	(742,310)
Fiscal	409,144	-	-	(409,144)
Business	11,915	-	-	(11,915)
Operation and Maintenance of Plant	1,040,513	3,183	-	(1,037,330)
Pupil Transportation	609,533	-	21,534	(587,999)
Central	15,692	-	-	(15,692)
Operation of Non-Instructional Services	482,409	266,293	197,056	(19,060)
Extracurricular Activities	514,572	222,315	17,285	(274,972)
Capital Outlay	7,250	-	-	(7,250)
Principal Retirement	575,000	-	-	(575,000)
Interest and Fiscal Charges	176,496	-	-	(176,496)
<i>Total Governmental Activities</i>	<u>\$13,379,781</u>	<u>\$1,503,025</u>	<u>\$1,277,013</u>	<u>(10,599,743)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				3,440,874
Capital Maintenance				40,334
Debt Service				668,217
Capital Outlay				100,655
Income Taxes Levied for General Purposes				1,253,283
Grants and Entitlements not Restricted to Specific Programs				5,779,932
Gifts and Donations not Restricted to Specific Programs				7,992
Interest				36,869
Miscellaneous				44,271
<i>Total General Receipts</i>				<u>11,372,427</u>
Change in Net Position				772,684
<i>Net Position Beginning of Year</i>				<u>5,946,111</u>
<i>Net Position End of Year</i>				<u>\$6,718,795</u>

See accompanying notes to the basic financial statements

Parkway Local School District
Mercer County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,014,930	\$1,366,070	\$337,795	\$6,718,795
<i>Total Assets</i>	<u>\$5,014,930</u>	<u>\$1,366,070</u>	<u>\$337,795</u>	<u>\$6,718,795</u>
Fund Balances				
Nonspendable	\$1,832	-	-	\$1,832
Restricted	-	\$1,366,070	\$343,874	1,709,944
Assigned	1,162,703	-	-	1,162,703
Unassigned	3,850,395	-	(6,079)	3,844,316
<i>Total Fund Balances</i>	<u>\$5,014,930</u>	<u>\$1,366,070</u>	<u>\$337,795</u>	<u>\$6,718,795</u>

See accompanying notes to the basic financial statements

Parkway Local School District
Mercer County
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$3,440,874	\$668,217	\$140,989	\$4,250,080
Income Taxes	1,253,283	-	-	1,253,283
Intergovernmental	6,205,372	92,504	714,841	7,012,717
Interest	36,869	-	444	37,313
Tuition and Fees	822,461	-	41,147	863,608
Rent	1,410	-	-	1,410
Extracurricular Activities	142,725	-	222,069	364,794
Contributions and Donations	23,491	-	28,285	51,776
Charges for Services	350	-	266,293	266,643
Miscellaneous	50,595	-	246	50,841
<i>Total Receipts</i>	<u>11,977,430</u>	<u>760,721</u>	<u>1,414,314</u>	<u>14,152,465</u>
Disbursements				
Current:				
Instruction:				
Regular	5,492,378	-	148,754	5,641,132
Special	1,821,955	-	387,233	2,209,188
Vocational	205,711	-	-	205,711
Support Services:				
Pupil	348,196	-	1,088	349,284
Instructional Staff	197,990	-	-	197,990
Board of Education	27,517	-	-	27,517
Administration	903,409	-	3,026	906,435
Fiscal	388,804	16,819	3,521	409,144
Business	11,915	-	-	11,915
Operation and Maintenance of Plant	940,325	-	100,188	1,040,513
Pupil Transportation	563,613	-	45,920	609,533
Central	15,567	-	125	15,692
Operation of Non-Instructional Services	-	-	482,409	482,409
Extracurricular Activities	261,755	-	252,817	514,572
Capital Outlay	-	-	7,250	7,250
Debt Service:				
Principal Retirement	-	575,000	-	575,000
Interest and Fiscal Charges	-	176,496	-	176,496
<i>Total Disbursements</i>	<u>11,179,135</u>	<u>768,315</u>	<u>1,432,331</u>	<u>13,379,781</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>798,295</u>	<u>(7,594)</u>	<u>(18,017)</u>	<u>772,684</u>
Other Financing Sources (Uses)				
Transfer In	639	-	-	639
Transfer Out	(639)	-	-	(639)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	798,295	(7,594)	(18,017)	772,684
<i>Fund Balances Beginning of Year</i>	4,216,635	1,373,664	355,812	5,946,111
<i>Fund Balances End of Year</i>	<u>\$5,014,930</u>	<u>\$1,366,070</u>	<u>\$337,795</u>	<u>\$6,718,795</u>

See accompanying notes to the basic financial statements

**Parkway Local School District
Mercer County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property Taxes	\$3,082,483	\$3,440,874	\$3,440,874	-
Income Taxes	1,237,687	1,253,283	1,253,283	-
Intergovernmental	6,135,853	6,159,841	6,205,372	(45,531)
Interest	27,478	30,478	36,869	(6,391)
Tuition and Fees	747,648	820,534	822,461	(1,927)
Rent	2,710	2,710	1,410	1,300
Contributions and Donations	7,508	8,508	7,992	516
Charges for Services		350	350	-
Miscellaneous	5,757	33,757	35,350	1,593
<i>Total Receipts</i>	<u>11,247,124</u>	<u>11,750,335</u>	<u>11,803,961</u>	<u>(50,440)</u>
Disbursements				
Current:				
Personal Services	5,715,596	6,001,039	5,888,084	112,955
Fringe Benefits	2,474,496	2,515,776	2,473,745	42,031
Purchased Services	2,287,802	1,234,210	957,600	276,610
Supplies and Materials	1,165,549	857,773	491,605	366,168
Capital Outlay	319,247	328,370	274,118	54,252
Miscellaneous Objects	1,020,762	1,002,139	1,000,889	1,250
<i>Total Disbursements</i>	<u>12,983,452</u>	<u>11,939,307</u>	<u>11,086,041</u>	<u>853,266</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,736,328)</u>	<u>(188,972)</u>	<u>717,920</u>	<u>906,892</u>
Other Financing Sources (Uses)				
Other Uses of Funds	(5,000)			-
Refund of Prior Year Expenditures		1,700	1,634	(66)
Insurance Recoveries		1,262	1,262	-
Transfers In	5,062	5,701	5,701	-
Proceeds from Sale of Assets		300	928	628
<i>Total Other Financing Sources (Uses)</i>	<u>62</u>	<u>8,963</u>	<u>9,525</u>	<u>562</u>
<i>Net Change in Fund Balance</i>	(1,736,266)	(180,009)	727,445	907,454
<i>Fund Balance Beginning of Year</i>	4,072,245	4,072,245	4,072,245	-
Prior Year Encumbrances Appropriated	97,574	97,574	97,574	-
<i>Fund Balance End of Year</i>	<u>\$2,433,553</u>	<u>\$3,989,810</u>	<u>\$4,897,264</u>	<u>\$907,454</u>

See accompanying notes to the basic financial statements

Parkway Local School District
Mercer County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	13,733	45,943
<i>Total Assets</i>	\$13,733	\$45,943
Liabilities		
Due to Students		45,943
<i>Total Liabilities</i>		\$45,943
Net Position:		
Held in Trust for Scholarship	11,088	
Held in Trust for Students	2,645	
<i>Total Net Position</i>	\$13,733	

See accompanying notes to the basic financial statements

Parkway Local School District
Mercer County
Statement of Change in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust
Additions	
Gifts and Contributions	\$16,300
Interest	1
Total Additions	16,301
Deductions	
Payments in Accordance with Trust Agreements	14,224
Change in Net Position	2,077
Net Position - Beginning of Year	11,656
Net Position - End of Year	\$13,733

See accompanying notes to the basic financial statements

This page intentionally left blank.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District was established in 1960 through the consolidation of existing lands areas and school districts. The School 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 composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Parkway Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in five jointly governed organizations, four insurance purchasing pools and one related organization. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Mercer County Local Professional Development Committee
West Central Ohio Special Education Regional Resource Center
Vantage Career Center
Northwestern Ohio Educational Purchasing Council, Inc.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 1 - Reporting Entity (continued)

Insurance Purchasing Pools:

Ohio Association of School Business Officials Workers' Compensation Group
Rating Plan
Mercer Auglaize Employee Benefit Trust
Ohio School Insurance Plan
Southwestern Ohio Educational Purchasing Council

Related Organization:

Rockford Carnegie Public Library

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, 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.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. The School District does not have any business-type activities.

The statement of net position presents the cash balance of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. 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 Retirement 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 resources whose use is restricted to a particular purpose.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature. The School District only maintains agency funds which account for a flex account for staff, OHSAA Tournament funds and those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Cash and Investments

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

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool 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 2016, the School District invested in nonnegotiable certificates of deposits, and Federated Government Obligations Money Market Fund, Ohio State general obligation bonds, STAR Plus, and STAR Ohio.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

STAR Ohio and STAR Plus investments are recorded by the funds at fair market value and the other investments are reported 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 2016 was \$36,869 which included \$9,494 assigned from other School District funds.

E. Inventory and Prepaid Items

On a cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Interfund Receivables/Payables

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension 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.

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

J. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislation. Net position restricted for other purposes include resources restricted for music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. 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 are available. The School District did not have any assets restricted by enabling legislation at June 30, 2016.

L. 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:

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.

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

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by 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.

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.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

In other governmental funds, the unassigned classification is used only to report a deficit fund 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, unassigned) amounts are available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned and unassigned amounts when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classifications can be used.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another fund are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

N. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds, except the General Fund. The School District legal level of control for the General Fund is the object level. The Treasurer makes budgetary allocations at the function and object level within all funds.

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the Board passed final appropriations.

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

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 3 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and cash basis are

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis	\$ 798,295
Encumbrances	(68,009)
Perspective Differences	<u>(2,841)</u>
Budgetary Basis	<u><u>\$ 727,445</u></u>

Note 4 - Deposits and Investments

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

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

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

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

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 4 - Deposits and Investments (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited 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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 4 - Deposits and Investments (continued)

At June 30, 2016, the School District had \$710 in un-deposited cash on hand, which is included in the fund balance.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$6,048,040 and the bank balance was \$6,091,476. \$3,737,473 of the School District's deposits was insured by federal depository insurance, which includes \$807,473 held in a STAR Plus account. As of June 30, 2016, \$2,354,003 of the School District's bank balance was covered by pledged collateral with the financial institutions.

Investments

Investments are reported at fair value. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2016, the School District's investment included \$245,730 and \$7,129 in STAR Ohio and Federated Government Obligations Money Market Fund, respectively, both of which are available on demand. The School District also invested \$476,862 in Ohio State general obligation bonds, which mature in 2016. All investments are reported using the Level 1 hierarchy.

Interest Rate Risk – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. 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 of ongoing operations. The average days to maturity of the Federated Government Obligations Money Market Fund is 38 days. The average days to maturity of the STAR Ohio portfolio was 48.6 days at June 30, 2016.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

The Ohio State general obligation bonds carry an S&P credit rate of AA+. The Federated Government Obligations Money Market Fund carries an S&P credit rating of AAAm.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 4 - Deposits and Investments (continued)

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. STAR Ohio carry an S&P credit rating of AAAM.

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 commitment on deposits.

Custodial Credit Risk - 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 requirements of ORC 135.14(M)(2) which states, "Payment 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 the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. The School District's investment percentage for Ohio State general obligation bonds is 65%. The School District's investment percentage for STAR Ohio is 34%.

Note 5 - Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility taxes are payable annually or semiannually. 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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 5 - Property Taxes (Continued)

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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, 2016, are available to finance fiscal year 2016 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 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$177,135,790	95%	\$177,756,530	95%
Other	6,226,410	3%	5,983,090	3%
Public Utility Personal	4,310,820	2%	4,216,470	2%
Total	<u>\$187,673,020</u>	<u>100.00%</u>	<u>\$187,956,090</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$36.37		\$36.37	

Note 6 - Income Taxes

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. On May 3, 2015, 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 revenue is credited to the General Fund.

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 2016, the Ohio School Plan provided the School District's coverage.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 7 - Risk Management (Continued)

Coverage provided is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$44,842,550
Vehicle Liability	5,000,000
Educational General Liability	
Each Incident	5,000,000
Aggregate	7,000,000
Employer’s Liability	
Each Incident	5,000,000
Fiduciary Liability	
Each Incident	5,000,000
Aggregate	7,000,000
Educational Legal Liability	
Each Incident	5,000,000
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 its 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 net position at December 31, 2015 and 2014 (the latest information available):

	2015	2014
Assets	\$9,313,853	\$7,974,679
Liabilities	3,956,512	2,780,801
Net Position	\$5,357,341	\$5,193,878

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 this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 7 - Risk Management (continued)

C. Workers' Compensation

For fiscal year 2016, the School District's Workers' Compensation managed care organization is contracted with Sheakley Unicom.

D. Health Care Benefits

The School District participates in the Mercer Auglaize Employee Trust (Trust), a public entity shared risk pool consisting of eleven local 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

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent; 0 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$198,678 for fiscal year 2016.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service.

With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$661,344 for fiscal year 2016.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,636,656	\$12,045,873	\$14,682,529
Proportion of the Net Pension Liability	0.0462077%	0.0435859%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Changes Between Measurement Date and Report Date – In April 2016, the SERS Board adopted certain assumption changes, which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net position liability is expected to be significant.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$3,656,095	\$2,636,656	\$1,778,205

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are setback two years through age 89 and no setback for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

The 10-year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$16,732,627	\$12,045,873	\$8,082,525

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose social security or the School Employees Retirement System. As of June 30, 2016, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 9 - Postemployment 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.

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2016, the health care allocation is 0 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge.

For fiscal year 2016, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$22,737, \$25,854, and \$20,497, respectively; 0 percent has been contributed for fiscal year 2016 and 100 percent for fiscal years 2015 and 2014.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 9 - Postemployment Benefits (continued)

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 or by calling toll free (800) 878-5853. It is also posted on the SERS' at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System of Ohio

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

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 2016, STRS Ohio allocated employer contributions equal to 0 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, 2016, 2015, and 2014 were \$0, \$0, and \$45,144, respectively; 100 percent has been contributed for fiscal year 2016, 2015 and 2014.

Note 10 – Debt

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Amount Outstanding 6/30/15	Additions	Deletions	Amount Outstanding 6/30/16	Amount Due in One Year
Governmental Activities					
2012 Various Purpose Refunding Bonds					
Serial Bonds 2.0-2.85%	\$7,625,000	\$0	(\$575,000)	\$7,050,000	\$585,000
Capital Appreciation Bonds 2.6-2.85%	384,994	-	-	384,994	-
Total Governmental Activities					
Long-Term Liabilities	\$8,009,994	\$0	(\$575,000)	\$7,434,994	\$585,000

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 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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 10 – Debt (continued)

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.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2016, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Totals
	Serial Bonds	Capital Appreciation Bonds	Interest/Accretion	
2017	\$585,000	\$0	\$164,896	\$749,896
2018	595,000	-	153,096	748,096
2019	605,000	-	141,096	746,096
2020	620,000	-	128,846	748,846
2021	-	205,283	552,363	757,646
2021-2025	2,635,000	179,711	940,243	3,754,954
2026-2029	2,010,000	-	81,518	2,091,518
Grand Total	\$7,050,000	\$384,994	\$2,162,058	\$9,597,052

The School District's overall legal debt margin was \$10,847,124 the un-voted debt margin was \$187,956 at June 30, 2016.

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:

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 11 – Fund Balance

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable - Unclaimed Monies	\$ 1,832	\$ -	\$ -	\$ 1,832
Restricted:				
Classroom Maintenance	-		53,071	53,071
Athletics	-		11,795	11,795
Permanent Improvement	-		75,840	75,840
Debt Service	-	1,366,070	-	1,366,070
Lunchroom	-		191,786	191,786
Grants	-		11,382	11,382
Total Restricted	-	1,366,070	343,874	1,709,944
Assigned for:				
Unpaid Obligations	68,009	-	-	68,009
FY 17 Appropriations	1,046,869	-	-	1,046,869
Public School Support	47,825	-	-	47,825
Total Assigned	1,162,703	-	-	1,162,703
Unassigned	3,850,395	-	(6,079)	3,844,316
Total Fund Balance	\$ 5,014,930	\$ 1,366,070	\$ 337,795	\$ 6,718,795

Note 12 – Set-Aside Requirements

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

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2016.

	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	179,070
Current Year Offsets	(159,742)
Prior Year Offsets from Bond Proceeds	(19,328)
Total	<u>\$0</u>

During prior fiscal years, the School District issued bonds for capital improvement. These proceeds may be used to reduce capital acquisition to below zero for future years. The amount present for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$11,593,862 at June 30, 2016.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 13 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization

A. Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among school districts in Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Van Wert and Wood counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these school supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2016, the School District contributed \$41,522 to NOACSC. Financial information can be obtained by contacting Ray Burden, who serves as Director, at 645 South Main Street, Lima, OH 45804.

Mercer County Local Professional Development Committee - The School District is a participant in the Mercer County Local Professional Development Committee (Committee), which is a regional council of governments established to provide professional education license renewal standards and procedures. The Committee is governed by an eleven member board made up of six teachers, two principals, once superintendent, and two members employed by the Mercer County Educational Service Center.

Board members serve terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$0 during the fiscal year. Financial information can be obtained from Mary Brandon, Treasurer of the Mercer County Educational Service Center at 441 East Market Street, Celina, Ohio 45822.

West Central Ohio Special Education Regional Resource Center - The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. A board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year governs the SERRC. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$0 during fiscal year 2016. Financial information can be obtained by contacting Becky Rees, Director, 1045 Dearbaugh, Suite #1, Wapakoneta, Ohio 45895.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 13 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization
(continued)

Vantage Career Center (Career Center) – The Vantage Career Center is a distinct political subdivision of the State of Ohio, which provides instructional 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. During fiscal year 2016, the School District contributed \$287 to the Career Center. Financial information can be obtained from the Vantage Career Center Treasurer, 818 North Franklin, Van Wert, Ohio 45891-1304.

Northwestern Ohio Educational Research Council, Inc. (NWOERC) – The NWOERC 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 NWOERC 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, five city school districts, as well as representative 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. During 2016, the School District contributed \$575 to the NWOERC. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

B. Insurance Purchasing Pools

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

Mercer Auglaize Employee Benefit Trust – The Mercer Auglaize Employee Benefit Trust (Trust) is a insurance pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 50(C)(9) of the Internal Revenue Code and provides medical, dental and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee, which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plan 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 Steve Dandurand, Corporate One Benefits, 1650 N. County Line Street, Fostoria, Ohio 44830.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 13 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization
(continued)

Ohio School Insurance Plan (Plan) – The School District participates in the Ohio School Insurance 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. A board composed of officials from various member entities conducts the Plan’s business and affairs. The Hylant Administrative Services, LLC is the Plan’s administrator and is responsible for processing claims. Financial information can be obtained from Ohio School Plan, c/o Hyland Administrative Services, LLC 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43606-2083.

Southwestern Ohio Educational Purchasing Council – The Southwestern Ohio 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, Ohio 45377 or by calling (937) 890-3725.

C. 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. A Board of Trustees appointed by the Parkway Board of Education governs the Library. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, 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. The School District did not make any financial contributions to the Carnegie Public Library during the fiscal year. Financial information can be obtained from the Rockford Carnegie Public Library, Sherry Shaffer, Clerk/Treasurer, 162 South Main Street, Rockford, Ohio 45882.

Note 14 - Interfund Balances

During fiscal year 2016, the School District transferred \$639 from the General Fund to the Unclaimed Monies Fund. The Unclaimed Monies Fund is shown with the General Fund for reporting purposes.

Note 15 – Contractual Commitments

As of June 30, 2016, the School District had the following outstanding contractual commitments:

Vendor	Purchase Order Amount	Disbursed	Remaining Amount
Total Tennis	\$ 24,500	\$ -	\$ 24,500
Kraner Excavating	31,136	-	31,136

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 16 – Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, Net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Note 17 – Contingent Liabilities

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

B. Litigation

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

C. Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional School Districts must comply with minimum hours of instructions, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District.

Note 18 – Change in Accounting Principles

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 72, “Fair Value Measurement and Application.” This statement addresses accounting and financial reporting issues related to the fair value of investments. This statement had no effect on net position or fund balances. Additional disclosures required by the statement can be found in the notes to the financial statements.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 18 – Change in Accounting Principles (Continued)

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.” This establishes requirements for defined benefit pension systems that are not within the scope of GASB Statement 68, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of GASB Statements 67 and 68. This statement had no effect on net position or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for state and Local Governments.” This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement had no effect on net position or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board Statement No. 78, “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.” The objective of this statement is to address a practice issue regarding the scope and applicability of Statement 68. This statement had no effect on net position or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board and Statement No. 79, “Certain External Investment Pools and Pool Participants.” This statement addresses accounting and financial reporting for certain external investment pools and pool participants. This statement had no effect on net position or fund balances.

This page intentionally left blank.

Parkway Local School District
Mercer County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The discussion and analysis of Parkway Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- For governmental activities, net position increased \$592,999, which represents an 11 percent increase from 2014.
- General receipts accounted for \$10,773,004 in receipts or 79 percent of all governmental receipts. Program specific receipts in the form of charges for services and operating grants and contributions accounted for \$2,808,167 or 21 percent of total governmental receipts of \$13,581,171.
- The General Fund, which is a major fund, had \$11,397,250 in receipts and \$10,712,978 in disbursements. The General Fund's fund balance increased \$679,272 from 2014.
- During fiscal year 2015, the School District implemented GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. While the School District reports on a cash basis, the School District has included information about the net pension liability in its notes to the financial statements in accordance with the Auditor of State's requirements.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Parkway Local School District as a financial whole, an 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, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. 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 nonmajor funds presented in total in one column. In the case of Parkway Local School District, the General Fund is by far the most significant fund.

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

Parkway Local School District
Mercer County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Positions 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 2015?" The Statement of Net Position and the Statement of Activities answer this question.

The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Parkway Local School District
Mercer County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 46. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and Bond Retirement Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2015 compared to fiscal year 2014 on a cash basis:

(Table 1)
Net Position

	Governmental Activities	
	2015	2014
Assets		
Equity in Pooled Cash and Cash Equivalents	\$5,946,111	\$5,353,112
Net Position		
Restricted for:		
Capital Projects	\$64,384	\$88,504
Debt Service	1,373,664	1,364,770
Other Purposes	293,864	363,826
Unrestricted	4,214,199	3,536,012
Total Net Position	\$5,946,111	\$5,353,112

Parkway Local School District
Mercer County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

As mentioned previously, the net position of governmental activities increased \$592,999 or 11 percent from fiscal year 2014. Increases in property and income taxes and operating grants and contributions contributed to the increase.

Table 2 reflects the changes in net position for fiscal year 2015 compared to fiscal year 2014.

(Table 2)
Changes in Net Position

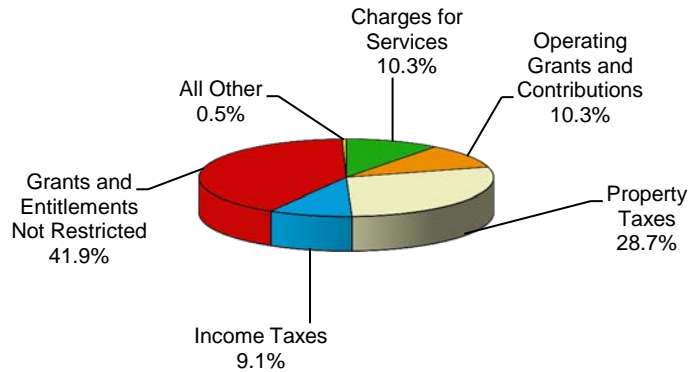
	Governmental Activities 2015	Governmental Activities 2014
Receipts:		
Program Receipts:		
Charges for Services	\$1,403,159	\$1,285,704
Operating Grants and Contributions	1,405,008	766,494
Total Program Receipts	2,808,167	2,052,198
General Receipts:		
Property and Income Taxes	5,136,831	4,493,727
Grants and Entitlements Not Restricted to Specific Programs	5,573,365	6,171,268
All Other	62,808	82,437
Total General Receipts	10,773,004	10,747,432
Total Receipts	13,581,171	12,799,630
Disbursements:		
Instruction	7,902,775	7,808,499
Support Services	3,335,362	3,241,815
Operation of Non-Instructional Services	460,436	432,903
Extracurricular Activities	506,500	465,554
Capital Outlay	35,253	48,697
Debt Service	747,846	750,346
Total Disbursements	12,988,172	12,747,814
Change in Net Position	592,999	51,816
Net Position, Beginning of Year	5,353,112	5,301,296
Net Position, End of Year	\$5,946,111	\$5,353,112

Governmental Activities

Several sources fund the School District's governmental activities with the School Foundation being the largest contributor. Property and income taxes generated \$5.1 million. Increases in these sources of revenue contributed to the increase in net position.

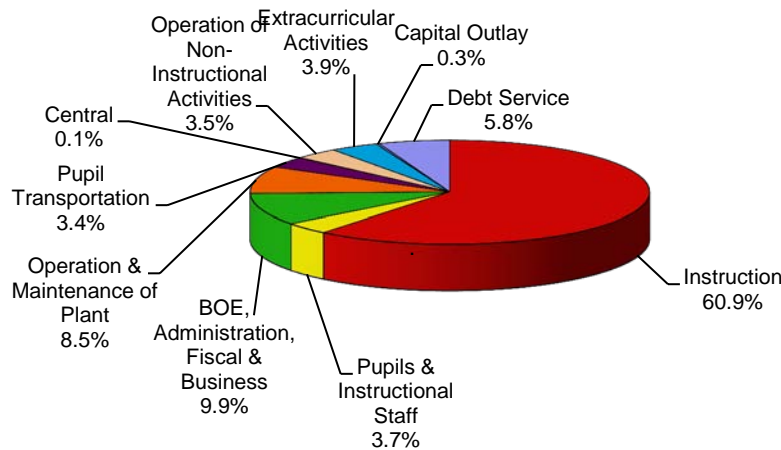
Parkway Local School District
Mercer County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Governmental Receipts



Instruction comprises 60.9% of the School District's disbursements. Support services make up 25.6% of disbursements.

Governmental Disbursements



If you look at the Statement of Activities on page 50 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement.

Parkway Local School District
Mercer County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost Of Services 2015	Net Cost of Services 2015	Total Cost Of Services 2014	Net Cost of Services 2014
	Instruction	\$7,902,775	(\$5,935,217)	\$7,808,499
Support Services:				
Pupils and Instructional Staff	482,892	(481,880)	519,582	(519,582)
Board of Education, Administration, Fiscal and Business	1,288,140	(1,162,720)	1,238,388	(1,131,095)
Operation and Maintenance of Plant	1,102,462	(1,099,752)	1,036,409	(1,029,558)
Pupil Transportation	445,367	(443,720)	418,825	(418,825)
Central	16,501	(16,446)	28,611	(28,611)
Operation of Non-Instructional Services	460,436	(11,759)	432,903	(3,807)
Extracurricular Activities	506,500	(245,412)	465,554	(242,923)
Capital Outlay	35,253	(35,253)	48,697	(48,697)
Debt Service, includes payment to bond escrow	747,846	(747,846)	750,346	(750,346)
Total Disbursements	<u>\$12,988,172</u>	<u>(\$10,180,005)</u>	<u>\$12,747,814</u>	<u>(\$10,695,616)</u>

The dependence upon property tax receipts and income tax receipts is apparent, as over 78 percent of governmental activities are supported through these general receipts.

The School District's Funds

Total governmental funds had receipts of \$13,581,171 and disbursements of \$12,988,172. Contributing factor to the \$679,272 increase in General fund balance was an increase in property tax revenue and state foundation monies. The Bond Retirement fund balance increased \$8,894 as property tax revenues and homestead and rollback covered required debt payments.

Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon 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 2015, the School District did modify its General Fund budget several times. The School District uses site-based budgeting, and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

The School District increased estimated receipts over \$675,000 for property taxes during fiscal year 2015.

For fiscal year 2015, appropriations increased \$2,539,889 (25%) primarily as a result of increases in regular and special instruction.

Parkway Local School District
Mercer County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Capital Assets and Debt Administration

Capital Assets

The School District does not currently keep track of its capital assets and infrastructure for financial reporting purposes. The School District tracks its capital assets for inventory and insurance purposes only.

Debt

At June 30, 2015, the School District's outstanding debt included \$8,009,994 for its outstanding 2012 various purpose refunding bonds. The amount due in fiscal year 2016 is \$575,000.

For further information regarding the School District's debt, refer to Note 10 to 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 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, 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 2015, School District voters renewed a 1 percent Income Tax levy for an additional 5 years. This issue was first passed by voters in February 1995. School District voters also renewed an 8.97 mill Operating levy for 5 years in November 2010 election. This issue was first passed by voters in May of 1993.

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 a 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 reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Debra Pierce, Treasurer of Parkway Local School District, 400 Buckeye St., Rockford, OH 45882.

This page intentionally left blank.

Parkway Local School District
Mercer County
Statement of Net Position - Cash Basis
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,946,111</u>
Net Position	
Restricted for:	
Debt Service	\$1,373,664
Capital Improvements	64,384
Other Purposes	293,864
Unrestricted	<u>4,214,199</u>
<i>Total Net Position</i>	<u>\$5,946,111</u>

See accompanying notes to the basic financial statements

Parkway Local School District
Mercer County
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2015

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$5,519,671	\$744,613	\$91,488	(\$4,683,570)
Special	2,187,984	49,811	1,022,773	(1,115,400)
Vocational	195,120	-	58,873	(136,247)
Support Services:				
Pupil	295,790	-	-	(295,790)
Instructional Staff	187,102	1,012	-	(186,090)
Board of Education	33,434	-	-	(33,434)
Administration	843,561	120,229	5,191	(718,141)
Fiscal	404,559	-	-	(404,559)
Business	6,586	-	-	(6,586)
Operation and Maintenance of Plant	1,102,462	2,710	-	(1,099,752)
Pupil Transportation	445,367	1,647	-	(443,720)
Central	16,501	55	-	(16,446)
Operation of Non-Instructional Services	460,436	263,600	185,077	(11,759)
Extracurricular Activities	506,500	219,482	41,606	(245,412)
Capital Outlay	35,253	-	-	(35,253)
Principal Retirement	560,000	-	-	(560,000)
Interest and Fiscal Charges	187,846	-	-	(187,846)
<i>Total Governmental Activities</i>	<u>\$12,988,172</u>	<u>\$1,403,159</u>	<u>\$1,405,008</u>	<u>(10,180,005)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				3,082,483
Capital Maintenance				40,695
Debt Service				675,797
Capital Outlay				100,169
Income Taxes Levied for General Purposes				1,237,687
Grants and Entitlements not Restricted to Specific Programs				5,573,365
Gifts and Donations not Restricted to Specific Programs				7,508
Interest				27,478
Miscellaneous				27,822
<i>Total General Receipts</i>				<u>10,773,004</u>
Change in Net Position				592,999
<i>Net Position Beginning of Year</i>				<u>5,353,112</u>
<i>Net Position End of Year</i>				<u>\$5,946,111</u>

See accompanying notes to the basic financial statements

Parkway Local School District
Mercer County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,216,635	\$1,373,664	\$355,812	\$5,946,111
<i>Total Assets</i>	<u>\$4,216,635</u>	<u>\$1,373,664</u>	<u>\$355,812</u>	<u>\$5,946,111</u>
Fund Balances				
Nonspendable	\$2,436	\$0	\$0	\$2,436
Restricted	-	1,373,664	355,812	1,729,476
Assigned	345,853	-	-	345,853
Unassigned	3,868,346	-	-	3,868,346
<i>Total Fund Balances</i>	<u>\$4,216,635</u>	<u>\$1,373,664</u>	<u>\$355,812</u>	<u>\$5,946,111</u>

See accompanying notes to the basic financial statements

Parkway Local School District
Mercer County
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$3,082,483	\$675,797	\$140,864	\$3,899,144
Income Taxes	1,237,687	-	-	1,237,687
Intergovernmental	6,135,853	98,490	696,859	6,931,202
Interest	27,478	-	374	27,852
Tuition and Fees	747,648	-	46,644	794,292
Rent	2,710	-	-	2,710
Extracurricular Activities	115,709	-	219,482	335,191
Contributions and Donations	12,699	-	41,606	54,305
Charges for Services	-	-	263,600	263,600
Miscellaneous	34,983	-	205	35,188
<i>Total Receipts</i>	<u>11,397,250</u>	<u>774,287</u>	<u>1,409,634</u>	<u>13,581,171</u>
Disbursements				
Current:				
Instruction:				
Regular	5,240,094	-	279,577	5,519,671
Special	1,824,400	-	364,596	2,188,996
Vocational	195,120	-	-	195,120
Support Services:				
Pupil	293,866	-	1,924	295,790
Instructional Staff	186,090	-	-	186,090
Board of Education	33,434	-	-	33,434
Administration	840,693	-	2,868	843,561
Fiscal	383,365	17,547	3,647	404,559
Business	6,586	-	-	6,586
Operation and Maintenance of Plant	1,005,710	-	96,752	1,102,462
Pupil Transportation	445,367	-	-	445,367
Central	16,446	-	55	16,501
Operation of Non-Instructional Services	-	-	460,436	460,436
Extracurricular Activities	241,807	-	264,693	506,500
Capital Outlay	-	-	35,253	35,253
Debt Service:				
Principal Retirement	-	560,000	-	560,000
Interest and Fiscal Charges	-	187,846	-	187,846
<i>Total Disbursements</i>	<u>10,712,978</u>	<u>765,393</u>	<u>1,509,801</u>	<u>12,988,172</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>684,272</u>	<u>8,894</u>	<u>(100,167)</u>	<u>592,999</u>
Other Financing Sources (Uses)				
Transfer In	-	-	5,000	5,000
Transfer Out	(5,000)	-	-	(5,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,000)</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	679,272	8,894	(95,167)	592,999
<i>Fund Balances Beginning of Year</i>	<u>3,537,363</u>	<u>1,364,770</u>	<u>450,979</u>	<u>5,353,112</u>
<i>Fund Balances End of Year</i>	<u>\$4,216,635</u>	<u>\$1,373,664</u>	<u>\$355,812</u>	<u>\$5,946,111</u>

See accompanying notes to the basic financial statements

Parkway Local School District
Mercer County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property Taxes	\$2,406,524	\$3,082,483	\$3,082,483	-
Income Taxes	1,275,269	1,237,687	1,237,687	-
Intergovernmental	6,085,122	6,225,507	6,135,853	(89,654)
Interest	29,182	29,182	27,478	(1,704)
Tuition and Fees	684,929	748,719	747,648	(1,071)
Rent	1,410	2,710	2,710	-
Contributions and Donations	500	7,508	7,508	-
Miscellaneous	8,448	6,448	5,757	(691)
<i>Total Receipts</i>	<u>10,491,384</u>	<u>11,340,244</u>	<u>11,247,124</u>	<u>(93,120)</u>
Disbursements				
Current:				
Instruction:				
Regular	5,093,585	5,861,437	5,262,777	598,660
Special	1,780,218	2,744,008	1,823,388	920,620
Vocational	217,623	231,620	195,502	36,118
Support Services:				
Pupil	343,300	452,547	293,971	158,576
Instructional Staff	178,502	215,283	191,008	24,275
Board of Education	25,084	53,141	36,964	16,177
Administration	715,491	754,879	717,900	36,979
Fiscal	358,146	421,313	383,365	37,948
Business	6,174	30,576	6,586	23,990
Operation and Maintenance of Plant	958,916	1,174,442	1,008,555	165,887
Pupil Transportation	421,734	645,433	500,817	144,616
Central	16,414	23,471	16,446	7,025
Extracurricular Activities	237,351	273,999	241,807	32,192
<i>Total Disbursements</i>	<u>10,352,538</u>	<u>12,882,149</u>	<u>10,679,086</u>	<u>2,203,063</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>138,846</u>	<u>(1,541,905)</u>	<u>568,038</u>	<u>2,109,943</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	30,071	22,202	22,202	-
Transfers In	3,358	275	275	-
Transfers Out	-	(5,000)	(5,000)	-
Refund of Prior Year Receipts	-	(5,278)	(5,147)	131
<i>Total Other Financing Sources (Uses)</i>	<u>33,429</u>	<u>12,199</u>	<u>12,330</u>	<u>131</u>
<i>Net Change in Fund Balance</i>	172,275	(1,529,706)	580,368	2,110,074
<i>Fund Balance Beginning of Year</i>	3,439,540	3,439,540	3,439,540	-
Prior Year Encumbrances Appropriated	52,337	52,337	52,337	-
<i>Fund Balance End of Year</i>	<u>\$3,664,152</u>	<u>\$1,962,171</u>	<u>\$4,072,245</u>	<u>\$2,110,074</u>

Parkway Local School District
Mercer County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	11,656	51,078
Cash and Cash Equivalents in Segregated Accounts		5,062
<i>Total Assets</i>	<u>\$11,656</u>	<u>\$56,140</u>
Liabilities		
Due to Students		51,078
Due to Employees		5,062
<i>Total Liabilities</i>		<u>\$56,140</u>
Net Position:		
Held in Trust for Scholarship	9,603	
Held in Trust for Students	2,053	
<i>Total Net Position</i>	<u>\$11,656</u>	

See accompanying notes to the basic financial statements

Parkway Local School District
Mercer County
Statement of Change in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions	
Gifts and Contributions	\$13,002
Interest	6
Total Additions	13,008
Deductions	
Payments in Accordance with Trust Agreements	17,848
Change in Net Position	(4,840)
Net Position - Beginning of Year	16,496
Net Position - End of Year	\$11,656

See accompanying notes to the basic financial statements

This page intentionally left blank.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District was established in 1960 through the consolidation of existing lands areas and school districts. The School 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 composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Parkway Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in five jointly governed organizations, four insurance purchasing pools and one related organization. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Mercer County Local Professional Development Committee
West Central Ohio Special Education Regional Resource Center
Vantage Career Center
Northwestern Ohio Educational Purchasing Council, Inc.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 1 - Reporting Entity (continued)

Insurance Purchasing Pools:

Ohio Association of School Business Officials Workers' Compensation Group
Rating Plan
Mercer Auglaize Employee Benefit Trust
Ohio School Insurance Plan
Southwestern Ohio Educational Purchasing Council

Related Organization:

Rockford Carnegie Public Library

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, 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.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. The School District does not have any business-type activities.

The statement of net position presents the cash balance of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. 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 Retirement 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 resources whose use is restricted to a particular purpose.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature. The School District only maintains agency funds which account for a flex account for staff and those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Cash and Investments

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

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool 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 2015, the School District invested in nonnegotiable certificates of deposits, and Federated Government Obligations Money Market Fund, Ohio State general obligation bonds, STAR Plus, and STAR Ohio.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

STAR Ohio and STAR Plus investments are recorded by the funds at fair market value and the other investments are reported 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 2015 was \$27,478 which included \$21,123 assigned from other School District funds.

E. Inventory and Prepaid Items

On a cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Interfund Receivables/Payables

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension 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.

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

J. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislation. Net position restricted for other purposes include resources restricted for music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. 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 are available. The School District did not have any assets restricted by enabling legislation at June 30, 2015.

L. 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:

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.

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

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by 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.

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.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

In other governmental funds, the unassigned classification is used only to report a deficit fund 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, unassigned) amounts are available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned and unassigned amounts when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classifications can be used.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another fund are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

N. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds, except the General Fund. The School District legal level of control for the General Fund is the object level. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 3 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and cash basis are

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis	\$ 679,272
Encumbrances	(97,574)
Perspective Differences	(1,330)
Budgetary Basis	\$ 580,368

Note 4 - Deposits and Investments

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

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

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

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

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

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

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 4 - Deposits and Investments (continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited 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.

At June 30, 2015, the School District had \$710 in un-deposited cash on hand which is included in the fund balance.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 4 - Deposits and Investments (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$5,240,241 and the bank balance was \$5,321,827. \$3,437,961 of the School District's deposits was insured by federal depository insurance, which includes \$805,215 held in a STAR Plus account. As of June 30, 2015, \$1,883,866 of the School District's bank balance was covered by pledged collateral with the financial institutions.

Investments

Investments are reported at fair value. As of June 30, 2015, the School District's investment included \$272,650 and \$9,864 in STAR Ohio and Federated Government Obligations Money Market Fund, respectively, both of which are available on demand. The School District also invested \$490,442 in Ohio State general obligation bonds, which mature in 2016.

Interest Rate Risk – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. 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 of ongoing operations. The average days to maturity of the Federated Government Obligations Money Market Fund is 41 days. The average days to maturity of the STAR Ohio portfolio was 53.4 days at June 30, 2015.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

The Ohio State general obligation bonds carry an S&P credit rate of AA+. The Federated Government Obligations Money Market Fund carries an S&P credit rating of AAAM.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. STAR Ohio carry an S&P credit rating of AAAM.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 4 - Deposits and Investments (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 commitment on deposits.

Custodial Credit Risk - 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 requirements of ORC 135.14(M)(2) which states, "Payment 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 the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. The School District's investment percentage for Ohio State general obligation bonds is 63%.

Note 5 - Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility taxes are payable annually or semiannually. 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.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 5 - Property Taxes (Continued)

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, 2015, are available to finance fiscal year 2015 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 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$105,729,440	92%	\$177,135,790	95%
Other	5,262,190	5%	6,226,410	3%
Public Utility Personal	3,406,510	3%	4,310,820	2%
Total	<u>\$114,398,140</u>	<u>100.00%</u>	<u>\$187,673,020</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$38.17		\$36.37	

Note 6 - Income Taxes

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. On May 3, 2015, 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 revenue is credited to the General Fund.

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 2015 the School District's coverage was provided by Ohio School Plan.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 7 - Risk Management (Continued)

Coverage provided is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$41,943,153
Vehicle Liability	5,000,000
Educational General Liability	
Each Incident	5,000,000
Aggregate	7,000,000
Excess Liability	
Each Incident	5,000,000
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 its 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 net position at December 31, 2015 and 2014:

	2015	2014
Assets	\$9,313,853	\$7,974,679
Liabilities	3,956,512	2,780,801
Net Position	\$5,357,341	\$5,193,878

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 this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

C. Workers’ Compensation

For fiscal year 2015, the School District’s Workers’ Compensation managed care organization is contracted with Sheakley Unicom.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 7 - Risk Management (continued)

D. Health Care Benefits

The School District participates in the Mercer Auglaize Employee Trust (Trust), a public entity shared risk pool consisting of eleven local 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

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$164,034 for fiscal year 2015.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service.

With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$650,198 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$2,280,512	\$10,555,083	\$12,835,595
Proportion of the Net Pension Liability	0.0450610%	0.0433947%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$3,253,612	\$2,280,512	\$1,462,050

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014.

Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$15,110,752	\$10,555,083	\$6,702,520

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose social security or the School Employees Retirement System. As of June 30, 2015, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 9 - Postemployment 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.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 (the latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending upon their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this 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, 2015, 2014, and 2013 were \$9,757, \$10,420, and \$9,241 respectively; 91.85 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 9 - Postemployment Benefits (continued)

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2015, the health care allocation is .82 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge.

For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$25,854, \$20,497, and \$19,691, respectively; 91.85 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of 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 or by calling toll free (800) 878-5853. It is also posted on the SERS' at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System of Ohio

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

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 9 - Postemployment Benefits (continued)

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 2015, STRS Ohio allocated employer contributions equal to 0 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, 2015, 2014, and 2013 were \$0, \$45,144, and \$44,393, respectively; 100 percent has been contributed for fiscal year 2015, 2014 and 2013.

Note 10 – Debt

The changes in the School District’s long-term obligations during fiscal year 2015 were as follows:

	Amount Outstanding 6/30/14	Additions	Deletions	Amount Outstanding 6/30/15	Amount Due in One Year
Governmental Activities					
2012 Various Purpose Refunding Bonds					
Serial Bonds 2.0-2.85%	\$8,185,000	\$0	(\$560,000)	\$7,625,000	\$575,000
Capital Appreciation Bonds 2.6-2.85%	384,994	0	0	384,994	0
Total Governmental Activities					
Long-Term Liabilities	\$8,569,994	\$0	(\$560,000)	\$8,009,994	\$575,000

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 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 bonds issue. As a result, the refunded bonds are considered to be defeased and the School District no longer has liabilities associated with those bonds.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 10 – Debt (continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Totals
	Serial Bonds	Capital Appreciation Bonds	Interest/Accretion	
2016	\$575,000		\$176,496	\$751,496
2017	585,000		164,896	749,896
2018	595,000		153,096	748,096
2019	605,000		141,096	746,096
2020	620,000		128,846	748,846
2021-2025	1,950,000	384,994	1,427,745	3,762,739
2026-2029	2,695,000		146,374	2,841,374
Grand Total	\$7,625,000	\$384,994	\$2,338,549	\$10,348,543

The School District's overall legal debt margin was \$10,254,242 the un-voted debt margin was \$187,673 at June 30, 2015.

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:

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 11 – Fund Balance (continued)

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Nonspendable - Unclaimed Monies	\$ 2,436			\$ 2,436
Restricted:				
Classroom Maintenance			\$47,944	47,944
Athletics			26,012	26,012
Permanent Improvement			64,384	64,384
Debt Service		\$1,373,664	-	1,373,664
Lunchroom			210,846	210,846
Grants			6,626	6,626
Total Restricted		1,373,664	355,812	1,729,476
Assigned for:				
Unpaid Obligations	97,574			97,574
FY 16 Appropriations	203,899			203,899
Public School Support	44,380			44,380
Total Assigned	345,853			345,853
Unassigned	3,868,346			3,868,346
Total Fund Balance	\$ 4,216,635	\$ 1,373,664	\$ 355,812	\$ 5,946,111

Note 12 – Set-Aside Requirements

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

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2015.

	Capital Improvements
Set-aside Reserve Balance as of June 30, 2014	\$0
Current Year Set-aside Requirement	175,778
Current Year Offsets	(163,835)
Prior Year Offsets from Bond Proceeds	(11,943)
Total	\$0

During prior fiscal years, the School District issued bonds for capital improvement. These proceeds may be used to reduce capital acquisition to below zero for future years. The amount present for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$11,613,190 at June 30, 2015.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 13 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization

A. Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among school districts in Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Van Wert and Wood counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these school supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2015, the School District contributed \$31,854 to NOACSC. Financial information can be obtained by contacting Ray Burden, who serves as Director, at 645 South Main Street, Lima, OH 45804.

Mercer County Local Professional Development Committee - The School District is a participant in the Mercer County Local Professional Development Committee (Committee), which is a regional council of governments established to provide professional education license renewal standards and procedures. The Committee is governed by an eleven member board made up of six teachers, two principals, once superintendent, and two members employed by the Mercer County Educational Service Center.

Board members serve terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$0 during the fiscal year. Financial information can be obtained from Mary Brandon, Treasurer of the Mercer County Educational Service Center at 441 East Market Street, Celina, Ohio 45822.

West Central Ohio Special Education Regional Resource Center - The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$0 during fiscal year 2015. Financial information can be obtained by contacting Becky Rees, Director, 1045 Dearbaugh, Suite #1, Wapakoneta, Ohio 45895.

Vantage Career Center (Career Center) - The Vantage Career Center is a distinct political subdivision of the State of Ohio, which provides instructional 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. During fiscal year 2015, the School District contributed \$16 to the Career Center. Financial

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 13 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization
(continued)

information can be obtained from the Vantage Career Center Treasurer, 818 North Franklin, Van Wert, Ohio 45891-1304.

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, five city school districts, as well as representative 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. During 2015, the School District contributed \$195 to the NOERC. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

B. Insurance Purchasing Pools

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

Mercer Auglaize Employee Benefit Trust – The Mercer Auglaize Employee Benefit Trust (Trust) is a insurance pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 50(C)(9) of the Internal Revenue Code and provides medical, dental and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plan 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 Steve Dandurand, Corporate One Benefits, 1650 N. County Line Street, Fostoria, Ohio 44830.

Ohio School Insurance Plan (Plan) – The School District participates in the Ohio School Insurance 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 board composed of officials from various member entities. The Hylant Administrative Services, LLC is the Plan's administrator and is responsible for processing claims. Financial information can be obtained from Ohio School Plan, c/o Hyland Administrative Services, LLC 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43606-2083.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 13 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization
(continued)

Southwestern Ohio Educational Purchasing Council – The Southwestern Ohio 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, Ohio 45377 or by calling (937)890-3725.

C. 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 District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, 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. The School District did not make any financial contributions to the Carnegie Public Library during the fiscal year. Financial information can be obtained from the Rockford Carnegie Public Library, Sherry Shaffer, Clerk/Treasurer, 162 South Main Street, Rockford, Ohio 45882.

Note 14 - Interfund Balances

During fiscal year 2015, the School District transferred \$5,000 from the General Fund to the Athletics fund. The transfer was to provide support to the band.

Note 15 – Contractual Commitments

As of June 30, 2015, the School District had the following outstanding contractual commitments:

Vendor	Purchase Order Amount	Disbursed	Remaining Amount
Cardinal Bus Sales & Service	\$ 95,920	\$ -	\$ 95,920

Note 16 – Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, Net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 17 – Contingent Liabilities

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

B. Litigation

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

C. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional School Districts must comply with minimum hours of instructions, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow with continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end.

Note 18 – Change in Accounting Principles

For fiscal year 2015, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 68, “Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27”* and *Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date.”* GASB *Statement No. 68* improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB *Statement No. 71*, amends GASB *Statement No. 68* and is effective with the provisions of GASB *Statement No. 68*. The implementation of these statements is described further in Note 8.

This page intentionally left blank.



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 cash basis 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, 2016 and 2015, 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 July 18, 2017, 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 opinions 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 School 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

School District's Response to Finding

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

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

July 18, 2017

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Not Filing 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 Admin. Code § 117-2-03(B) requires the School district to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for 2015 and 2016 following the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, 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, deferred inflows/outflows, 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 statements will be used to help fund educational programs. The School District believes that there are sufficient records and reports available, 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.

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Rev. Code 117.38 & Ohio Admin. Code Section 117-2-03(b) – failure to prepare financial statements in accordance with GAAP	Not Corrected	See Finding 2016-001
2014-002	Severance Overpayment – Finding for Recovery Repaid Under Audit	Corrective Action Taken and Finding is Fully Corrected	N/A
2014-003	Severance Overpayment – Finding for Recovery Repaid Under Audit	Corrective Action Taken and Finding is Fully Corrected	N/A
2014-004	Severance Overpayment – Finding for Recovery Repaid Under Audit	Corrective Action Taken and Finding is Fully Corrected	N/A



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
SEPTEMBER 14, 2017**