



OHIO AUDITOR OF STATE
KEITH FABER



**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY
JUNE 30, 2018 AND 2017**

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**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY
JUNE 30, 2018 AND 2017**

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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, 2018 and 2017, 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 such 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.

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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, 2018 and 2017, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

March 13, 2019

Parkway Local School District
Mercer County
Statement of Net Position - Cash Basis
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,044,461</u>
Net Position	
Restricted for:	
Debt Service	\$1,343,583
Capital Improvements	16,539
Other Purposes	214,500
Unrestricted	<u>4,469,839</u>
<i>Total Net Position</i>	<u>\$6,044,461</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, 2018

	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	\$5,934,537	\$862,756	\$91,679	(\$4,980,102)
Special	2,710,883	215,647	803,172	(1,692,064)
Vocational	220,419	-	35,868	(184,551)
Support Services:				
Pupil	379,745	-	-	(379,745)
Instructional Staff	211,204	-	-	(211,204)
Board of Education	28,092	-	-	(28,092)
Administration	1,081,947	163,185	10,801	(907,961)
Fiscal	418,614	-	-	(418,614)
Business	6,483	-	-	(6,483)
Operation and Maintenance of Plant	1,144,476	2,155	-	(1,142,321)
Pupil Transportation	552,782	-	17,520	(535,262)
Central	34,381	1,723	-	(32,658)
Operation of Non-Instructional Services	456,429	252,758	174,983	(28,688)
Extracurricular Activities	556,989	207,909	66,527	(282,553)
Capital Outlay	64,328	-	-	(64,328)
Principal Retirement	595,000	-	-	(595,000)
Interest and Fiscal Charges	153,096	-	-	(153,096)
<i>Total Governmental Activities</i>	<u>\$14,549,405</u>	<u>\$1,706,133</u>	<u>\$1,200,550</u>	(11,642,722)
General Receipts				
Property Taxes Levied for:				
General Purposes				3,359,955
Capital Maintenance				36,262
Debt Service				657,231
Capital Outlay				100,072
Income Taxes Levied for General Purposes				1,262,061
Grants and Entitlements not Restricted to Specific Programs				5,703,119
Gifts and Donations not Restricted to Specific Programs				5,144
Interest				68,044
Miscellaneous				29,945
<i>Total General Receipts</i>				<u>11,221,833</u>
Change in Net Position				(420,889)
<i>Net Position Beginning of Year</i>				<u>6,465,350</u>
<i>Net Position End of Year</i>				<u>\$6,044,461</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, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,471,181	\$1,343,583	\$229,697	\$6,044,461
<i>Total Assets</i>	<u>\$4,471,181</u>	<u>\$1,343,583</u>	<u>\$229,697</u>	<u>\$6,044,461</u>
Fund Balances				
Nonspendable	\$1,342	\$0	\$0	\$1,342
Restricted	-	\$1,343,583	232,416	1,575,999
Assigned	129,787	-	-	129,787
Unassigned	\$4,340,052	-	(2,719)	4,337,333
<i>Total Fund Balances</i>	<u>\$4,471,181</u>	<u>\$1,343,583</u>	<u>\$229,697</u>	<u>\$6,044,461</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, 2018*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$3,359,955	\$657,231	\$136,334	\$4,153,520
Income Taxes	1,262,061	0	0	1,262,061
Intergovernmental	6,032,416	91,263	690,564	6,814,243
Interest	68,044	0	1,098	69,142
Tuition and Fees	1,020,832	0	56,044	1,076,876
Rent	2,155	0	0	2,155
Extracurricular Activities	153,677	0	206,778	360,455
Contributions and Donations	15,945	0	77,527	93,472
Charges for Services	606	0	252,758	253,364
Miscellaneous	40,374	0	2,854	43,228
<i>Total Receipts</i>	<u>11,956,065</u>	<u>748,494</u>	<u>1,423,957</u>	<u>14,128,516</u>
Disbursements				
Current:				
Instruction:				
Regular	5,759,497	0	175,040	5,934,537
Special	2,328,570	0	382,313	2,710,883
Vocational	220,419	0	0	220,419
Support Services:				
Pupil	378,680	0	1,065	379,745
Instructional Staff	211,204	0	0	211,204
Board of Education	28,092	0	0	28,092
Administration	1,081,947	0	0	1,081,947
Fiscal	399,502	15,771	3,341	418,614
Business	6,483	0	0	6,483
Operation and Maintenance of Plant	1,049,118	0	95,358	1,144,476
Pupil Transportation	552,782	0	0	552,782
Central	32,270	0	2,111	34,381
Operation of Non-Instructional Services	0	0	456,429	456,429
Extracurricular Activities	283,555	0	273,434	556,989
Capital Outlay	0	0	64,328	64,328
Debt Service:				
Principal Retirement	0	595,000	0	595,000
Interest and Fiscal Charges	0	153,096	0	153,096
<i>Total Disbursements</i>	<u>12,332,119</u>	<u>763,867</u>	<u>1,453,419</u>	<u>14,549,405</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(376,054)</u>	<u>(15,373)</u>	<u>(29,462)</u>	<u>(420,889)</u>
Other Financing Sources (Uses)				
Transfers In	648	0	0	648
Transfers Out	(648)	0	0	(648)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(376,054)	(15,373)	(29,462)	(420,889)
<i>Fund Balances Beginning of Year</i>	<u>4,847,235</u>	<u>1,358,956</u>	<u>259,159</u>	<u>6,465,350</u>
<i>Fund Balances End of Year</i>	<u>\$4,471,181</u>	<u>\$1,343,583</u>	<u>\$229,697</u>	<u>\$6,044,461</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, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property Taxes	\$3,549,660	\$3,498,001	\$3,359,955	(\$138,046)
Income Taxes	1,288,831	1,309,523	1,262,061	(47,462)
Intergovernmental	6,237,094	6,264,064	6,032,416	(231,648)
Interest	46,743	94,316	68,044	(26,272)
Tuition and Fees	993,165	1,024,372	1,020,832	(3,540)
Rent	4,938	2,236	2,155	(81)
Contributions and Donations	216	5,157	5,144	(13)
Charges for Services	51	629	606	(23)
Miscellaneous	6,013	14,285	15,301	1,016
<i>Total Receipts</i>	<u>12,126,711</u>	<u>12,212,583</u>	<u>11,766,514</u>	<u>(446,069)</u>
Disbursements				
Current:				
Personal Services	6,469,256	6,469,256	6,409,392	59,864
Fringe Benefits	2,714,441	2,754,441	2,745,075	9,366
Purchased Services	1,521,915	1,479,808	1,317,223	162,585
Supplies and Materials	656,041	647,365	478,504	168,861
Capital Outlay	312,173	312,173	162,969	149,204
Miscellaneous Objects	1,156,243	1,156,664	1,123,000	33,664
<i>Total Disbursements</i>	<u>12,830,069</u>	<u>12,819,707</u>	<u>12,236,163</u>	<u>583,544</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(703,358)</u>	<u>(607,124)</u>	<u>(469,649)</u>	<u>137,475</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	40,872	14,486	14,486	-
Transfers In	-	-	648	648
<i>Total Other Financing Sources (Uses)</i>	<u>40,872</u>	<u>14,486</u>	<u>15,134</u>	<u>648</u>
<i>Net Change in Fund Balance</i>	(662,486)	(592,638)	(454,515)	138,123
<i>Fund Balance Beginning of Year</i>	4,641,058	4,641,058	4,641,058	-
Prior Year Encumbrances Appropriated	153,533	153,533	153,533	-
<i>Fund Balance End of Year</i>	<u>\$4,132,105</u>	<u>\$4,201,953</u>	<u>\$4,340,076</u>	<u>\$138,123</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, 2018

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$5,109	\$53,966
<i>Total Assets</i>	\$5,109	\$53,966
Liabilities		
Due to Students	-	\$53,966
<i>Total Liabilities</i>	-	\$53,966
Net Position:		
Held in Trust for Scholarship	\$3,056	
Held in Trust for Students	2,053	
<i>Total Net Position</i>	\$5,109	

See accompanying notes to the basic financial statements.

**Parkway Local School District
Mercer County**

*Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018*

	<u>Private Purpose Trust</u>
Additions	
Gifts and Contributions	\$3,812
Deductions	
Payments in Accordance with Trust Agreements	<u>8,749</u>
Change in Net Position	(4,937)
Net Position - Beginning of Year	<u>10,046</u>
Net Position - End of Year	<u><u>\$5,109</u></u>

See accompanying notes to the basic financial statements.

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Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 three 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
Vantage Career Center
Northwestern Ohio Educational Research Council, Inc.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 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 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, 2018

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, 2018

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 that 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 2018, the School District invested in nonnegotiable certificates of deposits, STAR Plus, and STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

There are no limitations or restrictions on any participants withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million limit, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2018 was \$68,044 which included \$16,548 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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another 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, 2018.

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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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. Pensions/Other Postemployment Benefits (OPEB)

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

O. 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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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	\$ (376,054)
Encumbrances	(69,169)
Perspective Differences	<u>(9,292)</u>
Budgetary Basis	<u>\$ (454,515)</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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 4 - Deposits and Investments (continued)

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;
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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 4 - Deposits and Investments (continued)

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, 2018, the School District had \$810 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 \$5,927,999 and the bank balance was \$5,996,905. \$3,787,010 of the School District's deposits was insured by federal depository insurance, which includes \$822,010 held in a STAR Plus account. As of June 30, 2018, \$2,209,895 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 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, 2018, the School District's investment included \$174,727 in STAR Ohio which is available on demand. 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 STAR Ohio portfolio was 48.9 days at June 30, 2018.

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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 STAR Ohio is 100%.

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 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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, 2018

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 Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 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 2018 taxes were collected are:

	<u>2017 Second- Half Collections</u>		<u>2018 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$178,597,040	95%	\$157,678,850	93%
Other	6,008,350	3%	6,608,760	4%
Public Utility Personal	4,365,420	2%	4,582,060	3%
Total	<u>\$188,970,810</u>	<u>100.00%</u>	<u>\$168,869,670</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$36.37		\$36.77	

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, 2016. 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 2018, 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, 2018

Note 7 - Risk Management (Continued)

Coverage provided is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$53,700,582
Vehicle Liability (\$0 deductible)	5,000,000
Educational General Liability (\$0 deductible)	
Each Incident	5,000,000
Aggregate	7,000,000
Employer’s Liability (\$0 deductible)	
Each Incident	5,000,000
Fiduciary Liability (\$2,500 deductible)	
Each Incident	5,000,000
Aggregate	7,000,000
Educational Legal Liability (\$2,500 deductible)	
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, 2017 and 2016 (the latest information available):

	2017	2016
Assets	\$11,441,994	\$10,507,059
Liabilities	4,503,476	3,853,671
Net Position	\$6,938,518	\$6,653,388

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, 2018

Note 7 - Risk Management (continued)

C. Workers' Compensation

For fiscal year 2018, the School District's Workers' Compensation managed care organization is contracted with Sheakley Unicomp.

D. Health Care Benefits

The School District participates in the Mercer Auglaize Regional Council of Governments (COG) and the Mercer-Auglaize Employee Benefit Trust (Trust) during fiscal year 2018. The COG dissolved in April 2018, at which time the School District became a participant in the Trust. The Trust is a public entity shared risk pool consisting of eleven local districts and two educational service centers. The School District pays monthly premiums to the COG for employee medical, dental, and vision insurance coverage. The Trust is responsible for the management and operations of the program. See note 13 for more information about the COG and the Trust.

Note 8 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

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

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 8 - Defined Benefit Pension Plans (continued)

significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$213,000 for fiscal year 2018.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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. Effective July 1, 2017, the cost of living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB 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 or later.

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, 2018

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. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the member rate was 14 percent of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$766,368 fiscal year 2018.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, 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>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0456954%	0.0453279%	
Current Measurement Date	<u>0.0448888%</u>	<u>0.0458221%</u>	
Change in Proportionate Share	<u>-0.0008066%</u>	<u>0.0004942%</u>	
Proportionate Share of the Net Pension Liability	\$2,682,007	\$10,885,140	\$13,567,147

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, 2018

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, 2017, are presented below:

Wage Inflation	3.0 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Morality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 100 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disability Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability.

The most recent experience study was completed for the five-year period ended June 30, 2015.

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%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00%</u>	

Parkway Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 8 - Defined Benefit Pension Plans (continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.5 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 (7.5 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 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	\$3,721,928	\$2,682,007	\$1,810,860

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016, are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.5 percent at age 20 to 2.5 percent at age 65	12.5 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses	7.75 percent, net of investment expenses
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent effective July 1, 2017	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.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Parkway Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 8 - Defined Benefit Pension Plans (continued)

For the July 1, 2016 actuarial valuation, 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 no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS’ investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS’ investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that 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. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Parkway Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$15,603,475	\$10,885,140	\$6,910,646

Note 9 - Postemployment Benefits

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements because of the use of the cash basis framework. The net OPEB liability is disclosed below.

OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEBs 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 OPEB 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 OPEB 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 OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 9 - Postemployment Benefits (continued)

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute.

The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$24,698.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$32,030 for fiscal year 2018.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 9 - Postemployment Benefits (continued)

B. State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll.

For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB 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
Proportion of the Net OPEB Liability Current Measurement Date	0.0453373%	0.0458221%	
Proportionate Share of the Net OPEB Liability	\$1,216,734	\$1,787,810	\$3,004,544

Actuarial Assumptions - SERS

SERS’ total OPEB liability was determined by their actuaries in accordance with GASB Statement No. 74, 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
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 9 - Postemployment Benefits (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 OPEB liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

	July 1, 2017
Inflation	3.00%
Projected salary increases	3.5% - 18.2%
	7.50% net of investment
Investment Rate of Return	expenses, including inflation
Payroll Increases	3 percent
Municipal Bond Index Rate	0.0 percent effective July 1, 2017
Prior Measurement Date	2.92%
Measurement Date	3.56%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Prior Measurement Date	2.98%
Measurement Date	3.63%
Medical Assumption Trend	
Pre-Medicare	7.05% - 5.00%
Medicare	5.50% - 5.00%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

Parkway Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 9 - Postemployment Benefits (continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00%</u>	

Discount Rate The total pension liability was calculated using the discount rate of 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56%, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Parkway Local School District
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Notes to the Basic Financial Statements
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Note 9 - Postemployment Benefits (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%).

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$1,469,361	\$1,216,734	\$1,016,589

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease 6.5% decreasing to 4.0%	Current Discount Rate 7.5% decreasing to 5.0%	1% Increase 8.5% decreasing to 6.0%
School District's proportionate share of the net OPEB liability	\$987,288	\$1,216,734	\$1,520,409

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation.

	July 1, 2017
Inflation	2.50%
Salary increases	12.5% at age 20 to 2.5% at age 65 7.45%, net of investment
Investment Rate of Return	expenses
Payroll Increases	3%
Cost-of-Living Adjustments	0.0% effective July 1, 2017
Blended Discount rate of return	4.13%
Health care cost trends	6% - 11% initial, 4.50% ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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Notes to the Basic Financial Statements
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Note 9 - Postemployment Benefits (continued)

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Parkway Local School District
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Notes to the Basic Financial Statements
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Note 9 - Postemployment Benefits (continued)

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following tables represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (3.13%) or one-percentage-point higher (5.13%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$2,400,106	\$1,787,810	\$1,303,896
	1% Decrease In Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District's proportionate share of the net OPEB liability	\$1,242,094	\$1,787,810	\$2,506,036

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 10 – Debt

The changes in the School District’s long-term obligations during fiscal year 2018 were as follows:

	Amount Outstanding 6/30/17	Additions	Deletions	Amount Outstanding 6/30/18	Amount Due in One Year
Governmental Activities					
2012 Various Purpose Refunding Bonds					
Serial Bonds 2.0-2.85%	\$6,465,000	\$0	(\$595,000)	\$5,870,000	\$605,000
Capital Appreciation Bonds 2.6-2.85%	384,994	-	-	384,994	-
Total Governmental Activities					
Long-Term Liabilities	<u>\$6,849,994</u>	<u>\$0</u>	<u>(\$595,000)</u>	<u>\$6,254,994</u>	<u>\$605,000</u>

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.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2018, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Totals
	Serial Bonds	Capital Appreciation Bonds	Interest/Accretion	
2019	\$605,000	\$0	\$141,096	\$746,096
2020	620,000	-	128,846	748,846
2021	-	205,283	522,363	727,646
2022	-	179,711	577,935	757,646
2023	635,000	-	115,185	750,185
2024-2028	3,415,000	-	320,157	3,735,157
2029	595,000	-	8,479	603,479
Grand Total	<u>\$5,870,000</u>	<u>\$384,994</u>	<u>\$1,814,061</u>	<u>\$8,069,055</u>

The School District's overall legal debt margin was \$10,286,859 the un-voted debt margin was \$168,870 at June 30, 2018.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 11 – Fund Balance

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

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

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Nonspendable - Unclaimed Monies	\$ 1,342	\$ -	\$ -	\$ 1,342
Restricted:				
Classroom Maintenance	-		39,282	39,282
Athletics	-		20,639	20,639
Permanent Improvement	-		16,539	16,539
Debt Service	-	1,343,583	-	1,343,583
Lunchroom	-		135,945	135,945
Grants	-		20,011	20,011
Total Restricted	-	1,343,583	232,416	1,575,999
Assigned for:				
Unpaid Obligations	69,169	-	-	69,169
Lifeskills	4	-	-	4
Public School Support	60,614	-	-	60,614
Total Assigned	129,787	-	-	129,787
Unassigned	4,340,052	-	(2,719)	4,337,333
Total Fund Balance	\$ 4,471,181	\$1,343,583	\$ 229,697	\$ 6,044,461

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 2018.

	Capital Improvements
Set-aside Reserve Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	185,157
Current Year Offsets	(154,163)
Prior Year Offsets from Bond Proceeds	(30,994)
Total	\$0

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 12 – Set-Aside Requirements (continued)

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 \$9,488,282 at June 30, 2018.

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 2018, the School District contributed \$35,964 to NOACSC. Financial information can be obtained by contacting Ray Burden, who serves as Director, at 4277 East Road, Elida, OH 45807.

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 2018, the School District contributed \$110 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 2018, the School District contributed \$0 to the NWOERC. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Gene Linton at 121 W. Main Street, Ashland, Ohio 44805.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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 School District was a participant of the Mercer-Auglaize Area Schools Regional Council of Governments (the “Council”) during fiscal year 2018, until its dissolution in April 2018. 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 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. 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 Hylant 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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 14 – Negative Fund Balance

During fiscal year 2018, the Title I fund had a deficit fund balance of \$2,719. The deficit will be eliminated when grant dollars are received during the first quarter of fiscal year 2019.

Note 15 – Contractual Commitments

As of June 30, 2018, the School District had the following outstanding contractual commitments:

<u>Vendor</u>	<u>Order Amount</u>	<u>Disbursed</u>	<u>Amount</u>
RoDoc Leasing Sales & Service	\$ 36,000	\$ -	\$ 36,000

Note 16 – Transfers

During fiscal year 2018, the School District transferred \$648 from the unclaimed money fund to the general fund in accordance with State statutes. These funds have been combined for reporting purposes.

Note 17 – 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Note 18 – 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, 2018.

B. Litigation

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

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 18 – Contingent Liabilities (Continued)

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. ODE has finalized the School District's foundation funding with an amount due to ODE of \$1,636 from the School District.

Note 19 – Change in Accounting Principles

For fiscal year 2018, the School District has implemented Governmental Accounting Standard Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions". This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). See Note 9 for disclosures required by this statement.

For fiscal year 2018, the School District has implemented Governmental Accounting Standard Board Statement No. 82, "Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and no. 73". This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplemental information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement had no effect on the financial statements of the School District.

For fiscal year 2018, the School District has implemented Governmental Accounting Standard Board Statement No. 86, "Certain Debt Extinguishment Issues". This statement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The implementation of this statement had no effect on the financial statements of the School District.

Parkway Local School District
Mercer County
Statement of Net Position - Cash Basis
June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,465,350
 Net Position	
Restricted for:	
Debt Service	\$1,358,956
Capital Improvements	25,138
Other Purposes	235,853
Unrestricted	4,845,403
 <i>Total Net Position</i>	 \$6,465,350

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, 2017

	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	\$6,042,832	\$855,224	\$100,324	(\$5,087,284)
Special	2,757,172	161,796	881,856	(1,713,520)
Vocational	214,705	-	35,798	(178,907)
Support Services:				
Pupil	364,224	964	-	(363,260)
Instructional Staff	215,322	1,000	-	(214,322)
Board of Education	26,530	-	-	(26,530)
Administration	945,956	166,583	10,445	(768,928)
Fiscal	422,792	-	-	(422,792)
Business	6,183	-	-	(6,183)
Operation and Maintenance of Plant	1,171,284	4,810	-	(1,166,474)
Pupil Transportation	509,419	14,816	21,826	(472,777)
Central	16,807	2,790	-	(14,017)
Operation of Non-Instructional Services	471,285	255,120	189,012	(27,153)
Extracurricular Activities	492,389	206,405	8,604	(277,380)
Capital Outlay	21,533	-	-	(21,533)
Principal Retirement	585,000	-	-	(585,000)
Interest and Fiscal Charges	164,896	-	-	(164,896)
<i>Total Governmental Activities</i>	<u>\$14,428,329</u>	<u>\$1,669,508</u>	<u>\$1,247,865</u>	(11,510,956)
General Receipts				
Property Taxes Levied for:				
				3,430,937
				40,145
				667,224
				100,079
				1,255,525
				5,672,556
				210
				45,535
				168
				45,132
<i>Total General Receipts</i>				<u>11,257,511</u>
Change in Net Position				(253,445)
<i>Net Position Beginning of Year</i>				<u>6,718,795</u>
<i>Net Position End of Year</i>				<u><u>\$6,465,350</u></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, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,847,235	\$1,358,956	\$259,159	\$6,465,350
<i>Total Assets</i>	<u>\$4,847,235</u>	<u>\$1,358,956</u>	<u>\$259,159</u>	<u>\$6,465,350</u>
Fund Balances				
Nonspendable	\$1,832	\$0	\$0	\$1,832
Restricted	-	1,358,956	265,351	1,624,307
Assigned	644,477	-	-	644,477
Unassigned	\$4,200,926	-	(6,192)	4,194,734
<i>Total Fund Balances</i>	<u>\$4,847,235</u>	<u>\$1,358,956</u>	<u>\$259,159</u>	<u>\$6,465,350</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, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$3,430,937	\$667,224	\$140,224	\$4,238,385
Income Taxes	1,255,525	0	0	1,255,525
Intergovernmental	6,075,915	92,291	721,585	6,889,791
Interest	45,535	0	581	46,116
Tuition and Fees	967,500	0	49,468	1,016,968
Rent	4,810	0	0	4,810
Extracurricular Activities	157,464	0	206,351	363,815
Contributions and Donations	10,655	0	19,604	30,259
Charges for Services	1,066	0	255,120	256,186
Miscellaneous	56,799	0	2,851	59,650
<i>Total Receipts</i>	<u>12,006,206</u>	<u>759,515</u>	<u>1,395,784</u>	<u>14,161,505</u>
Disbursements				
Current:				
Instruction:				
Regular	5,809,920	0	232,912	6,042,832
Special	2,363,306	0	393,866	2,757,172
Vocational	214,705	0	0	214,705
Support Services:				
Pupil	363,257	0	967	364,224
Instructional Staff	215,322	0	0	215,322
Board of Education	26,530	0	0	26,530
Administration	945,956	0	0	945,956
Fiscal	402,565	16,733	3,494	422,792
Business	6,183	0	0	6,183
Operation and Maintenance of Plant	1,029,115	0	142,169	1,171,284
Pupil Transportation	509,419	0	0	509,419
Central	15,780	0	1,027	16,807
Operation of Non-Instructional Services	0	0	471,285	471,285
Extracurricular Activities	285,222	0	207,167	492,389
Capital Outlay	0	0	21,533	21,533
Debt Service:				
Principal Retirement	0	585,000	0	585,000
Interest and Fiscal Charges	0	164,896	0	164,896
<i>Total Disbursements</i>	<u>12,187,280</u>	<u>766,629</u>	<u>1,474,420</u>	<u>14,428,329</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(181,074)</u>	<u>(7,114)</u>	<u>(78,636)</u>	<u>(266,824)</u>
Other Financing Sources (Uses)				
Insurance Recoveries	13,211	0	0	13,211
Proceeds from Sale of Assets	168	0	0	168
<i>Total Other Financing Sources (Uses)</i>	<u>13,379</u>	<u>0</u>	<u>0</u>	<u>13,379</u>
<i>Net Change in Fund Balances</i>	(167,695)	(7,114)	(78,636)	(253,445)
<i>Fund Balances Beginning of Year</i>	<u>5,014,930</u>	<u>1,366,070</u>	<u>337,795</u>	<u>6,718,795</u>
<i>Fund Balances End of Year</i>	<u>\$4,847,235</u>	<u>\$1,358,956</u>	<u>\$259,159</u>	<u>\$6,465,350</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$3,440,874	\$3,457,930	\$3,430,937	(\$26,993)
Income Taxes	1,253,283	1,255,525	1,255,525	-
Intergovernmental	6,205,372	6,015,239	6,075,915	60,676
Interest	36,869	45,142	45,535	393
Tuition and Fees	828,163	966,930	967,500	570
Rent	1,410	4,135	4,810	675
Contributions and Donations	7,992	530	210	(320)
Charges for Services	350	350	50	(300)
Miscellaneous	35,350	10,350	5,858	(4,492)
<i>Total Receipts</i>	<u>11,809,663</u>	<u>11,756,131</u>	<u>11,786,340</u>	<u>30,209</u>
Disbursements				
Current:				
Personal Services	6,150,430	6,239,430	6,160,963	78,467
Fringe Benefits	2,844,543	2,847,273	2,592,697	254,576
Purchased Services	1,249,024	1,370,612	1,328,794	41,818
Supplies and Materials	982,878	945,828	621,150	324,678
Capital Outlay	350,418	370,418	312,175	58,243
Miscellaneous Objects	988,552	1,157,631	1,149,054	8,577
<i>Total Disbursements</i>	<u>12,565,845</u>	<u>12,931,192</u>	<u>12,164,833</u>	<u>766,359</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(756,182)</u>	<u>(1,175,061)</u>	<u>(378,493)</u>	<u>796,568</u>
Other Financing Sources (Uses)				
Other Uses of Funds	(3,000)	-	-	-
Refund of Prior Year Expenditures	1,634	46,044	40,872	(5,172)
Insurance Recoveries	1,262	13,211	13,211	-
Proceeds from Sale of Assets	928	928	168	(760)
<i>Total Other Financing Sources (Uses)</i>	<u>824</u>	<u>60,183</u>	<u>54,251</u>	<u>(5,932)</u>
<i>Net Change in Fund Balance</i>	(755,358)	(1,114,878)	(324,242)	790,636
<i>Fund Balance Beginning of Year</i>	4,897,264	4,897,264	4,897,264	-
Prior Year Encumbrances Appropriated	68,036	68,036	68,036	-
<i>Fund Balance End of Year</i>	<u>\$4,209,942</u>	<u>\$3,850,422</u>	<u>\$4,641,058</u>	<u>\$790,636</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, 2017

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$10,046	\$49,641
<i>Total Assets</i>	<u>\$10,046</u>	<u>\$49,641</u>
Liabilities		
Due to Students	-	\$49,641
<i>Total Liabilities</i>	<u>-</u>	<u>\$49,641</u>
Net Position:		
Held in Trust for Scholarship	\$7,739	
Held in Trust for Students	2,307	
<i>Total Net Position</i>	<u>\$10,046</u>	

See accompanying notes to the basic financial statements.

Parkway Local School District
Mercer County
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions	
Gifts and Contributions	\$9,460
Interest	1
Total Additions	9,461
Deductions	
Payments in Accordance with Trust Agreements	13,148
Change in Net Position	(3,687)
Net Position - Beginning of Year	13,733
Net Position - End of Year	\$10,046

See accompanying notes to the basic financial statements.

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Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 four 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
Vantage Career Center
Northwestern Ohio Educational Research Council, Inc.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Reporting Entity (continued)

Insurance Purchasing Pools:

Ohio Association of School Business Officials Workers' Compensation Group
Rating Plan
Mercer Auglaize Area Schools Regional Council of Governments
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 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 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.

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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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 2017, the School District invested in nonnegotiable certificates of deposits, STAR Plus, and STAR Ohio. 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.

STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 was \$45,535 which included \$10,811 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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another 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.

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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

O. Pensions

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 plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension plan report investments at fair value.

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	\$ (167,695)
Encumbrances	(153,533)
Perspective Differences	<u>(3,014)</u>
Budgetary Basis	<u>\$ (324,242)</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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 4 - Deposits and Investments (continued)

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;
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 with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
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. Time certificates of deposit or savings or deposits accounts including, but not limited to, passbook accounts.

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, 2017, the School District had \$810 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, 2017

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 \$6,313,292 and the bank balance was \$6,491,467. \$4,034,427 of the School District's deposits was insured by federal depository insurance, which includes \$811,427 held in a STAR Plus account. As of June 30, 2017, \$2,457,040 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 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, 2017, the School District's investment included \$210,935 in STAR Ohio which is available on demand. 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 STAR Ohio portfolio was 45.5 days at June 30, 2017.

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.

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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 4 - Deposits and Investments (continued)

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 STAR Ohio is 100%.

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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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.

The School District receives property taxes from Mercer Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 5 - Property Taxes (Continued)

The assessed values upon which fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$177,756,530	95%	\$178,597,040	95%
Other	5,983,090	3%	6,008,350	3%
Public Utility Personal	4,216,470	2%	4,365,420	2%
Total	<u>\$187,956,090</u>	<u>100.00%</u>	<u>\$188,970,810</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$36.37		\$41.07	

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, 2016. 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 2017, the Ohio School Plan provided the School District's coverage.

Coverage provided is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$53,700,582
Vehicle Liability (\$0 deductible)	5,000,000
Educational General Liability (\$0 deductible)	
Each Incident	5,000,000
Aggregate	7,000,000
Employer's Liability (\$0 deductible)	
Each Incident	5,000,000
Fiduciary Liability (\$2,500 deductible)	
Each Incident	5,000,000
Aggregate	7,000,000
Educational Legal Liability (\$2,500 deductible)	
Each Incident	5,000,000
Aggregate	7,000,000

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 7 - Risk Management (Continued)

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, 2016 and 2015:

	2016	2015
Assets	\$10,507,059	\$9,313,853
Liabilities	3,853,671	3,956,512
Net Position	\$6,653,388	\$5,357,341

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 2017, 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 Area Schools Regional Council of Governments (COG), a public entity shared risk pool consisting of eleven local districts and two educational service centers. The School District pays monthly premiums to the COG for employee medical, dental, and vision insurance coverage. The COG is responsible for the management and operations of the program. Upon withdrawal from the COG, a participant is responsible for the payment of all COG liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 - Defined Benefit Pension Plans (continued)

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, 2017, 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 \$210,240 for fiscal year 2017.

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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 - Defined Benefit Pension Plans (continued)

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 years of qualifying service credit, or age 55 with 26 years of service, or 31 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 years 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.

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. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 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 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$705,261 for fiscal year 2017.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 - Defined Benefit Pension Plans (continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2016, 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	\$3,344,482	\$15,172,624	\$18,517,106
Proportion of the Net Pension			
Liability - Current Measurement Period	0.0456954%	0.0453279%	
Proportion of the Net Pension			
Liability - Prior Measurement Period	0.0462077%	0.0435859%	
Change in Proportion	-0.0005123%	0.0017420%	

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.

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, 2016, are presented below:

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 - Defined Benefit Pension Plans (continued)

Wage Inflation	3.0%
Future Salary Increases, including inflation	3.5%-18.20%
COLA or Ad Hoc COLA	3 %
Investment Rate of Return	7.5% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

For mortality assumptions, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

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:

Asset Class	Target Allocation	Long Term Expected Rate of Return
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	10.00%	3.00%

Discount Rate The total pension liability was calculated using the discount rate of 7.5 percent. A discount rate of 7.75 was used in the prior measurement period. 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 (7.5 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 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	\$4,427,885	\$3,344,482	\$2,437,628

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
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, 2016, 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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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	100.00 %	

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 - Defined Benefit Pension Plans (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. A discount rate of 7.75 percent was used in prior measurement period. 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, 2016. 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, 2016.

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	\$20,163,185	\$15,172,624	\$10,962,792

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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9 - Postemployment Benefits (continued)

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, 2017, 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 2017, the minimum compensation level was established at \$23,500. 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, 2017, 2016, and 2015 were \$23,500, \$22,737, and \$25,854, respectively; 0 percent has been contributed for fiscal year 2017 and 100 percent for fiscal years 2016 and 2015.

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 (STRS)

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit health care plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal years ended June 30, 2017, 2016, and 2015, STRS did not allocate any employer contributions to postemployment health care.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 10 – Debt

The changes in the School District’s long-term obligations during fiscal year 2017 were as follows:

	Amount Outstanding 6/30/16	Additions	Deletions	Amount Outstanding 6/30/17	Amount Due in One Year
Governmental Activities					
2012 Various Purpose Refunding Bonds					
Serial Bonds 2.0-2.85%	\$7,050,000	\$0	(\$585,000)	\$6,465,000	\$595,000
Capital Appreciation Bonds 2.6-2.85%	384,994	-	-	384,994	-
Total Governmental Activities					
Long-Term Liabilities	<u>\$7,434,994</u>	<u>\$0</u>	<u>(\$585,000)</u>	<u>\$6,849,994</u>	<u>\$595,000</u>

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.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Totals
	Serial Bonds	Capital Appreciation Bonds	Interest/Accretion	
2018	\$595,000	\$0	\$153,096	\$748,096
2019	605,000	-	141,096	746,096
2020	620,000	-	128,846	748,846
2021	-	205,283	522,363	727,646
2022	-	179,711	577,935	757,646
2023-2027	3,335,000	-	408,553	3,743,553
2028-2029	1,310,000	-	35,268	1,345,268
Grand Total	<u>\$6,465,000</u>	<u>\$384,994</u>	<u>\$1,967,157</u>	<u>\$8,817,151</u>

The School District's overall legal debt margin was \$11,516,335 the un-voted debt margin was \$188,971 at June 30, 2017.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 11 – Fund Balance

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

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

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Nonspendable - Unclaimed Monies	\$ 1,832	\$ -	\$ -	\$ 1,832
Restricted:				
Classroom Maintenance	-		33,738	33,738
Athletics	-		19,637	19,637
Permanent Improvement	-		25,138	25,138
Debt Service	-	1,358,956	-	1,358,956
Lunchroom	-		164,633	164,633
Grants	-		22,205	22,205
Total Restricted	-	1,358,956	265,351	1,624,307
Assigned for:				
Unpaid Obligations	153,533	-	-	153,533
FY 18 Appropriations	440,105	-	-	440,105
Lifeskills	4	-	-	4
Public School Support	50,835	-	-	50,835
Total Assigned	644,477	-	-	644,477
Unassigned	4,200,926	-	(6,192)	4,194,734
Total Fund Balance	\$ 4,847,235	\$1,358,956	\$ 259,159	\$ 6,465,350

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 2017.

	Capital Improvements
Set-aside Reserve Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	182,891
Current Year Offsets	(159,127)
Prior Year Offsets from Bond Proceeds	(23,764)
Total	\$0

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 12 – Set-Aside Requirements (continued)

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 \$9,519,576 at June 30, 2017.

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 2017, the School District contributed \$48,672 to NOACSC. Financial information can be obtained by contacting Ray Burden, who serves as Director, at 4277 East Road, Elida, Ohio 45807.

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, one 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 the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822. The Mercer County LPDC was dissolved as a COG in June 2017.

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 2017, 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.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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 2017, the School District contributed \$420 to the NWOERC. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Gene Linton at 121 W. Main Street, 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 Area Schools Regional Council of Governments – The Mercer-Auglaize Area Schools Regional Council of Governments, (the “Council”) is established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Chapter 167 of the Ohio Revised Code. The Council is established to provide employee welfare benefits as described in Section 501(c)(9) of the Internal Revenue Code for the benefit of employees of the member public school districts of the Council. The Council is a shared risk pool as defined by Government Accounting Standards Board (GASB) Statement No. 10 as amended by GASB Statement No. 30. It was formed to carry out a cooperative program for the provisions and administration of health, prescription drug and dental benefits for member public school district employees in accordance with the Council's constitution and bylaws.

Each participant decides which plan offered by the Administrative Committee will be extended to its employees. Participation in the COG 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 Suite 200, 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. 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 Hylant 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, 2017

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. 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 – Negative Fund Balance

During fiscal year 2017, the Title I fund had a deficit fund balance of \$6,192. The deficit will be eliminated when grant dollars are received during the first quarter of fiscal year 2018.

Note 15 – Contractual Commitments

As of June 30, 2017, the School District had the following outstanding contractual commitments:

Vendor	Order Amount	Disbursed	Amount
All American Tracks Corp	\$ 24,000	\$ -	\$ 24,000
Taylor Painting & Striping LLC	24,510	-	24,510
Dayton Thane	18,796	-	18,796
Mercer County ESC	41,207	-	41,207

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the School District may be fined and subject to other administrative remedies for its failure to file the required financial report.

Parkway Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2017.

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. ODE has finalized the School District's foundation final adjustment resulting in the amount due the School District of \$1,191.

Note 18 – Change in Accounting Principles

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement provides guidance for the pension plans. The implementation of this statement had no effect on the financial statements of the School District.

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 77, "Tax Abatement Disclosures." This statement requires governments that enter into tax abatement agreements to disclose information to make these transactions more transparent to the financial statement users. The School District does not have any tax abatements that require disclosure.

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board Statement No. 80, "Requirements for Certain Component Units-An Amendment of GASB Statement No. 14." This statement amends the blending requirements for financial statement presentation of component units. The implementation of this statement had no effect on the financial statements of the School District.

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board Statement No. 81, "Irrevocable Split-Interest Agreements." This statement improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of this statement had no effect on the financial statements of the School District.

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OHIO AUDITOR OF STATE KEITH FABER



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, the major fund, and the aggregate remaining fund information of the Parkway Local School District, Mercer County, (the School District) as of and for the years ended June 30, 2018 and 2017, 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 March 13, 2019, 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 2018-001.

School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 13, 2019

**PARKWAY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Not Filing in Accordance with GAAP – Noncompliance

Ohio Rev. Code § 117.38 provides, in part, that each public office, other than a state agency, 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 file annual financial reports which are prepared using generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal years 2018 and 2017 that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position and disclosures that, while presumed 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 did not file GAAP statements in fiscal years 2018 and 2017.

Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows of resources, fund equity/net position and the disclosures required to accurately and completely present the School District's financial condition.

Officials' 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 SCHOOLS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2018 and 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	First time the comment was issued was in Finding 2004-001 - Failure to prepare financial statements in accordance with GAAP	Not Corrected	School District decision not to go to the expense of preparing and auditing financial statements in accordance with generally accepted accounting principles (GAAP statements). Repeated as finding 2018-001.

OHIO AUDITOR OF STATE KEITH FABER



PARKWAY LOCAL SCHOOL DISTRICT

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 4, 2019**