

Comprehensive Annual
Financial Report



Parkway School District • C2 • Chesterfield, Missouri

For the Fiscal Year Ended June 30, 2010

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND
INDEPENDENT AUDITORS' REPORT

PARKWAY C-2 SCHOOL DISTRICT**

June 30, 2010

PARKWAY C- 2 SCHOOL DISTRICT

TABLE OF CONTENTS

	Page
I. INTRODUCTORY SECTION	
Transmittal Letter	i – x
Principal Officials	xi
Organizational Chart	xii
ASBO Certificate of Excellence in Financial Reporting	xiii
II. FINANCIAL SECTION	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 14
Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets	15
Statement of Activities	16
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances With the Statement of Activities	20
Statement of Net Assets – Proprietary Fund	21
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund	22
Statement of Cash Flows – Proprietary Fund	23
Notes to Basic Financial Statements	24 - 48

PARKWAY C- 2 SCHOOL DISTRICT

TABLE OF CONTENTS (continued)

II. FINANCIAL SECTION (concluded)

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - Unaudited	
General Fund	50
Special Revenue Fund	51
Notes to Required Supplementary Information	52
Schedule of Funding Progress – Other Postemployment Benefit Obligation - Unaudited	53

Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
Debt Service Fund	55
Capital Projects Fund	56

III. STATISTICAL SECTION

Net Assets by Component	58
Expenses, Program Revenues and Net (Expense)/Revenue	59
General Revenues and Total Change in Net Assets	60
Fund Balances, Governmental Funds	61
Governmental Funds Revenues	62
Governmental Funds Expenditures and Debt Service Ratio	63
Other Financing Sources and Uses and Net Change in Fund Balances, Governmental Funds	64
Assessed Value and Actual Value of Taxable Property	65
Direct and Overlapping Property Tax Rates	66 – 67
Principal Property Taxpayers	68
Property Tax Levies and Collections	69

PARKWAY C- 2 SCHOOL DISTRICT

TABLE OF CONTENTS (concluded)

III. STATISTICAL SECTION (concluded)

Outstanding Debt by Type	70
Direct and Overlapping Governmental Activities Debt	71
Legal Debt Margin Information	72
Demographic and Economic Statistics	73
Principal Employers	74
Full-Time Equivalent District Employees by Type	75
Operating Statistics	76
Teacher Base Salaries	77
School Building Information	78 – 82

September 30, 2010

Members of the Board of Education and
Residents of the Parkway School District

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Parkway C-2 School District (District) for the fiscal year ended June 30, 2010. This report provides full disclosure of the District's financial operation. This CAFR, which includes an opinion from the Independent Auditors that conducted the District's audit, conforms to the Generally Accepted Accounting Principles in the United States of America (GAAP) as applicable to governmental entities. The District maintains full responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

We believe that all data, as presented, is accurate in all material respects and that it is presented in a manner to fairly set forth the financial position and results of the District's operations as measured by the financial activity of its various funds. We further believe that all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections as follows:

1. The Introductory Section, which includes a Table of Contents, Letter of Transmittal, Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting, listing of elected Board of Education members, listing of administrative officials and an organizational chart of the District.
2. The Financial Section, which begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes To Financial Statements.
3. The Statistical Section, which includes selected comparative financial, non-financial, demographic and economic data for the District.

Reporting Entity

This report includes all funds of the District. The District is a political subdivision of the State of Missouri created under the Constitution of Missouri.

Parkway C-2 School District is considered a national leader in innovative education. Its teachers, administrators and students strive for excellence each day. Parkway is more than just a school system; it is a nurturing community that fosters individual talents and encourages collaborative thinking. At Parkway, when one person succeeds, everyone grows.

- 14 U.S. Department of Education Blue Ribbon schools and 17 Missouri Gold Star schools.
- Parkway received “Distinction in Performance for High Achievement” on its Annual Performance Report in 2009 for the ninth year since it was established in 2001 by the Missouri Department of Elementary and Secondary Education.
- Parkway is home to several State Educators of the Year.
- In 2009-2010, Parkway had 25 semifinalists and 32 commended students in the National Merit Program.
- Parkway students achieved an average ACT score of 24.1 which is the fourth-highest in the State.
- 63 percent of Parkway’s students taking the ACT score at or above the national average, ranking fourth among 524 Missouri School Districts.
- 94.4 percent of Parkway graduates pursue post-secondary education.

The Parkway School District Board of Education (the “Board”), consisting of seven elected officials, has the power to sue and to be sued and to make rules and regulations for its own government consistent with the laws of the State of Missouri and the State Board of Elementary and Secondary Education (DESE). The Board has oversight responsibility and control over all activities related to public education in the District, including the authority to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

It is the responsibility of the District to make public education available to residents of the Parkway C-2 School District. The District is an independent entity and receives its funding from local, state and federal government sources and must comply with the requirements of these funding agencies.

The District operates the sixth largest school district in the State serving 17,370 students. The District provides a full range of public education services at all grade levels ranging from kindergarten through grade twelve. In addition to a superior regular academic curriculum, the District offers a broad range of other programs for students including gifted/talented, English as a second language, fine arts, advanced college placement, interscholastic and intramural athletics, assistance for at-risk students and others. In addition, the District provides services beyond the broad K-12. The District operates an Early Childhood Education center, which serves children before they attend kindergarten and a Community Education program for adult continuing education. Some of the services provided to our students include instructional staff, instructional materials, instructional facilities, administrative and business service support, food service and bus transportation services and facility maintenance.

Accounting System and Budgetary Control

The District's comprehensive annual financial report was prepared pursuant to School Board Policy and in accordance with the standards established by the Governmental Accounting Standard Board (GASB).

The District utilizes a fully automated accounting system as well as an automated system of control for fixed assets and payroll. This system provides a complete set of self-balancing accounts for each District fund. The chart of accounts used in this accounting system was developed in accordance with the Missouri Financial Accounting Manual prepared by the Department of Elementary and Secondary Education, School Finance Section, State of Missouri.

In developing the District's accounting system, much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of these controls should not exceed the benefits and the evaluation of costs and benefits requires estimate and judgments by management.

The District believes that the internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

A complete budgetary system of accounts is maintained in all of the District's funds in accordance with District policy. The accounting system provides interim financial reports which detail year-to-date expenditures and encumbrances as compared to the budget. These reports are distributed to the District's management and Board on a monthly basis showing the status of the budget accounts for which they are responsible. These reports compare each program, building and line-item account balance to the approved budget. A monthly financial statement is prepared and distributed to the Board for their approval.

Economic Condition and Outlook

The District is located in St. Louis County, Missouri, and covers an area of approximately 70 square miles, including portions of unincorporated St. Louis County as well as areas of the following municipalities: Maryland Heights, Creve Coeur, Chesterfield, Town & Country, Des Peres, Ballwin, Manchester, Twin Oaks, Country Life Acres, Valley Park, Westwood and Winchester. The District is a blend of commercial, industrial and residential activity. The economic diversity of the District, along with the high quality of education, makes Parkway C-2 School District an attractive community.

Since the District was organized in 1954, it has expanded from a rural farming community to a suburban industrial one, expanding from a small district to the second largest in St. Louis County. Today, the District includes five high schools, five middle schools and 18 elementary schools. Parkway is currently accredited with distinction in performance under the Missouri School Improvement Program (MSIP) Standards administered by the State Department of Elementary and Secondary Education. The District is governed by the Board of Education, whose seven members are elected for staggered three-year terms of office.

The population within the District's boundaries is estimated to be 146,394. There were 17,370 children that attended school during the 2009-2010 academic year. The District employs the following full time equivalent staff; 1314.73 certificated instructional, 72.28 certified instructional support, 104 administrators and 988.13 non-certified support. The current certified staffing created an instructional staff to student ratio of 13.21:1 during the past academic year.

Major Initiatives

Current Year

The District approached Fiscal Year 2009-2010 with much caution because of the severe economic recession that continues to hover over the State of Missouri and the Nation.

Anticipated revenues for the year were projected to have an overall growth of 1.33%. The District expected total revenues to be \$225,793,843, however actual results were \$5,510,507 lower than anticipated. This drop in revenue was primarily the result of continued suppressed interest rates and reductions in state aid (the Foundation Formula, transportation aid and Parents as Teachers funding.) Property tax revenues, both current and delinquent, surpassed expectations by \$1,835,012.

Program operating expenditures, exclusive of salaries and benefits, were funded at the same level as was in place in Fiscal Year 2008-2009. Building budget allocations also remained flat with the prior year. Salary expenses increased an average of 4.5% and fringe benefit increases increased an average of 5.1%.

Four new initiatives were proposed and included in the expenditure budget. They were as follows:

- Additional 10 FTE for lower class sizes at the secondary level (+\$589,865),
- Additional 3 FTE for additional ESOL teachers (+\$176,960);
- Additional 2 FTE for the expansion of the MOSAICS program (+\$117,973);
- Additional 5.33 FTE for additional TA's for high school intervention (+\$400,780).

The District also recognizes that there is a continuing need to address facility maintenance issues. The backlog of maintenance issues indicated a funding requirement in excess of \$100 million. Therefore, the District placed a ballot issue on the November 4, 2008 election. This ballot asked the voters to approve \$87,000,000 in bonds to be issued over a period of five years to address these deferred maintenance needs. This ballot initiative passed with over 69% voter approval. In March 2009, the District issued \$52,945,000 in bonds and at the same time refunded \$7,715,000 in old bonds at a lower interest rate. This \$52.9 million dollar issue is scheduled to be spent over the next five years.

The end result for the fiscal year ended June 30, 2010 is a positive expenditure budget variance of \$34,816,910. Factoring out bond issue, debt service and student activity expenditures, which are fixed in nature and outside the District's control, the positive operating budget variance would be \$11,322,293. The positive budget variance is reduced by \$3,605,502 because actual operating revenue was less than projected revenue. The net result created a positive budget variance of \$7,716,791 (which excludes debt service, student activities, and bond issue interest) and will be used to support operations in coming years.

For the Future

It is anticipated that the economic slowdown will continue through the Fiscal Year 2010-2011. As a result, the District required all program managers to reduce their budgets by 5%. During the budget building process, some program managers were able to reduce more than 5% of their budget and the total amount of decrease was \$3.1 million or 10.16%.

It is important to keep supplies in the hands of the students. For this reason, the District decided to hold the aggregate building budget constant with no change from the prior year.

Salaries and benefits are projected to increase approximately \$1.7 million as the District plans to increase FTE to support a consistent middle school model initiative, continued expansion of the MOSAICS program, increase staffing to support the English as a Second Language program, add additional staff for A+ coordinators in the high schools and an additional progress monitoring coach. These staff additions amount to approximately 20.33 new FTE.

Next year, inflation is expected to be in the area of 1.0% to 2.0%. Low inflation and low interest rates represents the most favorable environment for the District because this combination creates stability and growth in the property tax base (our single largest source of revenue) while simultaneously holding down expenditure side pressures. Fortunately for Parkway, reassessments held their own as the housing market continued to flounder and will not adversely affect the revenue for the district.

Similar to recent years, most revenue sources available to the district are relatively flat. The projected overall growth in district operating revenues (0.80%) is attributable to property tax revenue increases offset by the elimination of Federal ARRA Stimulus Funds.

For Fiscal Year 2010-2011, expenditures are expected to be \$11,434 per pupil versus \$11,893 in Fiscal Year 2009-2010, a decrease of \$459 or 3.8%. The continued slow decline in student enrollment is beneficial in maintaining a balanced budget. Since the majority of the District's revenue is not based on student enrollment, the amount of revenue per student increases as enrollment declines. Furthermore, the reimbursement for the desegregation program is based on actual per pupil costs. Thus when per pupil costs increases, the revenue source also increases.

Taking all of the above factors into consideration, the District has adopted a balanced budget again for Fiscal Year 2010-2011 and is projecting an operating cash balance surplus of approximately \$13.2 million over minimum requirements.

Financial Condition

This is the eighth year the District has prepared financial statements following the GASB Statement 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." GASB 34 created a new basis for financial statement reporting the District's financial activities. The descriptions of the financial statements are as follows:

Government-wide Financial Statements: These statements consist of a Statement of Net Assets and a Statement of Activities. These statements are prepared on an accrual basis of accounting similar to the rules of accounting used by many private businesses. The government-wide statements distinguish between governmental activities and business-type activities of the primary governmental entity.

Fund Financial Statements: These statements present financial information separated by each major fund rather than by fund type. The governmental funds use the modified accrual basis of accounting. The focus of these statements is on the sources, uses and balances of current financial resources. They include the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Statement of Budgetary Comparisons: These statements present comparisons of actual results of operations to the legally adopted budget. These comparisons present both the original and final approved budgets for the reporting period with a column of information reporting the variance between the final budget and actual results.

The Fiscal Year 2009-2010 produced several events that affected the revenues of the District.

- The assessed valuation of locally assessed property decreased, as a result of reassessment by \$234,859,915 from 2008-2009. Assessed valuation fell to a value of \$4,448,004,710. This decrease in assessed valuation resulted in a decrease of \$1,102,157 in current tax revenue from 2008-2009 and a 97.05% collection rate, on a modified accrual basis of accounting.
- Short-term interest rates continued to be considerably depressed ranging from 0.24 % in July 2009 to approximately 1.00% in June 2010. This resulted in a \$1,865,918 drop in investment earnings. As a result of the continued spend down of the 2009 bond issue reserves, a reduction of \$439,070 in bond issue interest earnings was also realized.
- The \$503,722 decrease in sales tax revenues is a result of two factors. The per pupil amount received in Fiscal Year 2009-2010 (on a full accrual basis) ended up at \$774.48 per pupil versus \$804.43 in 2008-2009. This generated a \$448,861 decrease in revenue. In addition to this decrease in per pupil reimbursement, there were 70.89 fewer eligible pupils in Fiscal Year 2009-2010 than the prior year which accounted for the remaining \$54,861 in decreased sales tax revenue.

Allocations of the property tax levy for Fiscal Year 2009-2010 and the preceding year are as follows (amounts per \$100 assessed value):

Fund Type	Fiscal Year	
	2009	2010
General	\$1.9824	\$1.0056
Special Revenue	1.0326	2.1500
Capital Projects	.1284	.1284
Debt Service	.3400	.3400
Total Tax Rate	\$3.4834	\$3.6240

Expenditures for all Governmental Funds, totaled \$241,720,966. This was an increase of \$3,360,659 or 1.41% from fiscal year 2009-2010. Excluding debt service requirements, bond issue project expenditures and student activity expenditures; operating expenditures increased \$4,904,490. All of the increase is attributable to the implementation of new initiatives funded through the tax levy increase of 2006. Salaries, wages and employee benefits accounted for 84.6% of total expenditures (excluding non-operating expenditures for bond issue projects, student activity and debt service expenditures). This is a slight increase from 83.5% in Fiscal Year 2008-2009.

Definition of Expenditure Functions

- **Instruction:** Expenditures in this functional category includes activities dealing directly with the teaching of pupils, or the interaction between teachers and students. Activities of aides or assistants that assist in the instructional process are also included within this category of expense.
- **Support Services:** Expenditures in this functional category are those services, which provide administrative, technical and logistical support to facilitate and enhance instruction. Services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.
- **Adult and Continuing Education:** Expenditures in this functional category are provided by the District for the educational, vocational, recreational, cultural and/or enrichment of the community.
- **Community Services:** Expenditures in this functional category include activities provided for the Early Childhood Education program, such as Parents as Teachers, educational screening for three and four year olds and parent education.
- **Capital Outlay:** Expenditures in this functional category are for the acquisition of capital assets or additions to capital assets. They are expenditures for land, or existing buildings, improvements to grounds, construction of new facilities, and new (or replacement of) equipment.
- **Debt Service:** Expenditures in this functional category include retirement of debt, the payment of interest on debt and the payment of fees.

Fund balances for the governmental fund types totaled \$107,500,002 as of June 30, 2010 on the modified accrual basis. This compares to a total of \$128,292,783 as of June 30, 2009, a decrease of \$20,792,781. Of the June 30, 2009 fund balance, \$51,638,062 was reserved unspent bond funds, while on June 30, 2010, \$33,805,316 was reserved for unspent bond funds. Factoring these reserved fund balances out of both years, the June 30, 2010 fund balance would be \$73,694,886 or \$2,960,035 lower than that of June 30, 2009.

Cash Management

Funds not needed to meet current cash flow requirements are invested to meet the future needs of the District.

With over 72% of the District's revenue received in November, December and January of the academic year, strategic placement of these investments is made to maximize investment income. The District has a competitive bidding process to achieve the highest total return for the District while keeping in mind that the District will need these funds during the fiscal year.

The District operates under the Revised Statutes of the State of Missouri as it pertains to the types of deposits and investments it holds. Missouri Statutes allow school districts to invest in the following instruments:

- Open time deposits,
- Certificates of deposit,
- Bonds of the state of Missouri, of the United States, or of any wholly owned corporation of the United States,
- Other short-term obligations of the United States.

Interest accruing from these investments is credited to the funds from which the money was invested.

To fulfill short-term cash needs, deposits are maintained with the District's depository bank and invested overnight at a rate of 98% of the average weekly federal funds rate.

Debt Administration

As of June 30, 2010, long-term general obligation bonds totaled \$141,881,194. This is a decrease of \$8,329,086 from the prior fiscal year. This decrease is the result of the retirement of outstanding bonds.

The District has remaining bonded debt capacity of \$536,462,025 on June 30, 2010.

Risk Management

The Board's administration is responsible for supervising the protection of the District's assets by implementing various risk management techniques and procedures. These measures are meant to reduce and minimize risk associated with errors and omissions, workers compensation injuries, and natural disasters. The District obtains its insurance coverage through the Missouri United School Insurance Council (MUSIC) which is a protected self-insurance program made up of 400 Missouri public schools. The District pays an annual assessment to be a member of this risk-sharing group.

The District operates a self-funded health insurance program that includes medical, dental and vision benefits. Each fall, the District appointed health insurance committee reviews the plan and makes recommendations to the District's health insurance programs for the next plan year. There were no premium increases made to the medical plan during the last fiscal year. During Fiscal Year 2009-2010, the plan recognized a \$741,239 decrease in net assets.

Independent Audit

The revised statutes of the State of Missouri require that an independent audit be conducted on a biennial basis. The District policy, however, requires that an independent certified public accounting firm conduct an audit annually. This requirement has been satisfied and the opinion of Kerber, Eck & Braeckel, LLP is included in this report.

The School Board is also required to undergo an annual single audit in conformity with the provisions of Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, and independent auditors' reports on the internal control structure and compliance with applicable laws and regulations is included in a separate single audit report and is available at the School District's Administrative Offices for inspection.

Management's Discussion and Analysis

As part of this reporting model, management is responsible for providing a narrative introduction and analysis to accompany the basic financial statements. This can be found in the Management Discussion and Analysis (MD&A) section of this report. The MD&A can be found immediately following the report of the independent auditors in the Financial Section.

Awards

For the past eight years, the District has received the Association of School Business Officials (ASBO) International, Certificate of Excellence in Financial Reporting Award. For the fiscal year ended June 30, 2010, the Comprehensive Annual Financial Report will be submitted again for the award.

Acknowledgments

It is our desire that this report contain the necessary information and data that will provide a better understanding of the operations of the District to the District's Board of Education, outside investors and interested local constituents. It is further hoped that this report has been produced in a manner that all readers will obtain a clear and concise picture of the District's financial condition to enhance our accountability to the public.

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been achieved without the efficiency and dedication of the District's Finance Department. Each member of the Finance Department has our sincerest appreciation for their efforts that contributed to the quality of this report. Special recognition is warranted for four individuals that dedicated time and effort in the creation of this document; Maureen Dennis, Director of Finance; Sue Reno, Supervisor of Finance; Brian Medlock, Senior Accountant; and Kay Chesser, Financial Analyst. All contributed significantly toward this project and should be very proud of the final product.

We would also like to express our appreciation to the Board of Education for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

Respectively submitted,

PARKWAY C-2 SCHOOL DISTRICT

Dr. Don Senti
Superintendent

Wes Garton
Chief Financial Officer

Maureen Dennis
Director of Finance

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010**

**PARKWAY C-2 SCHOOL DISTRICT
455 NORTH WOODS MILL ROAD
CHESTERFIELD, MISSOURI 63017
314-415-8100**

BOARD OF EDUCATION

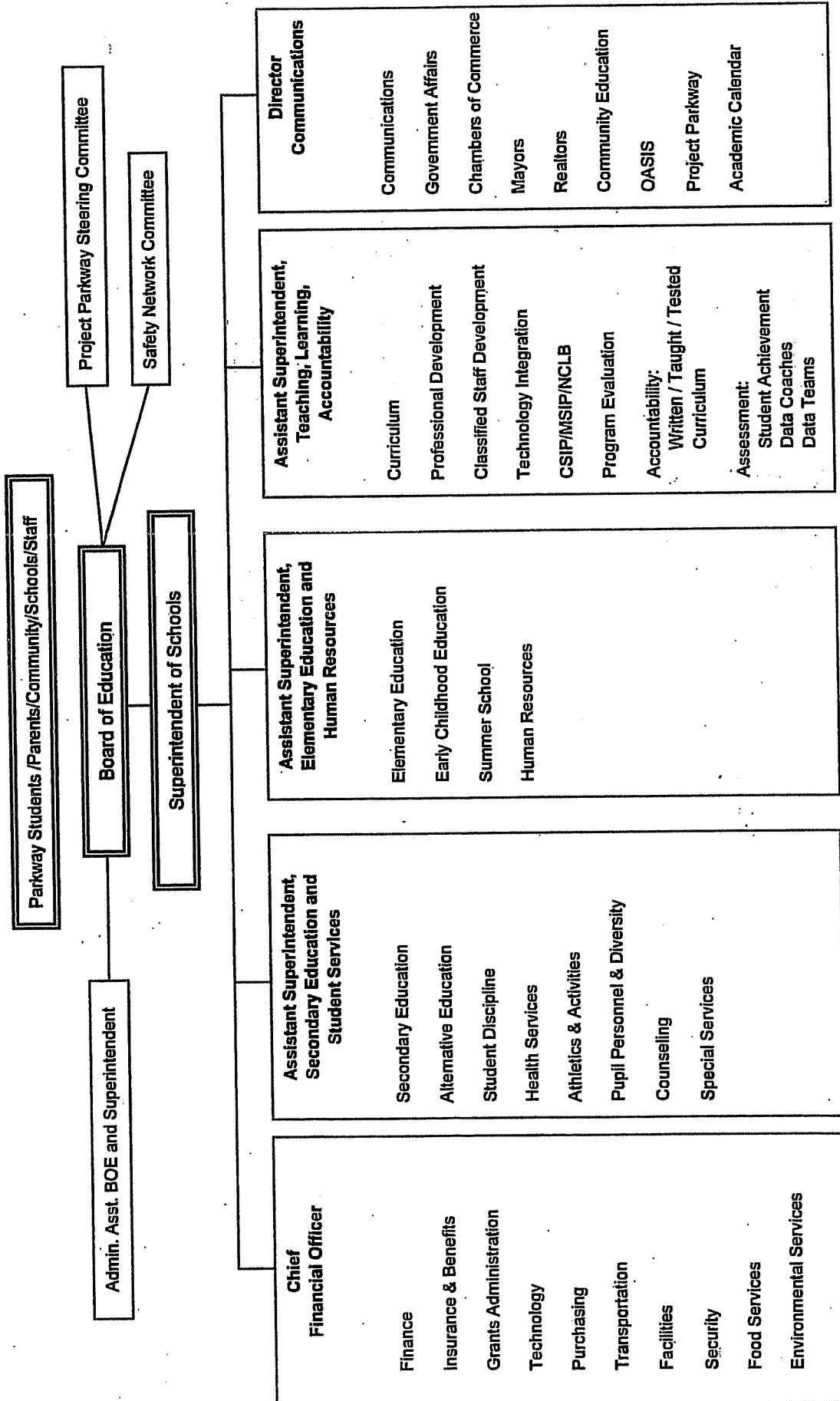
Mr. Bruce W. Major	President
Mr. Chris Jacob	Vice-President
Mr. Tom Appelbaum	Director
Mrs. Helen Casteel	Director
Mrs. Beth Feldman	Director
Mrs. Dee Mogerman	Director
Mr. Sam Sciortino	Director

GENERAL ADMINISTRATION

Dr. Donald Senti	Interim Superintendent
Dr. Bonnie Maxey	Assistant Superintendent, Elementary Education and Human Resources
Mr. Desi Kirchhofer	Assistant Superintendent, Secondary Education and Student Services
Mrs. Kathy Blackmore	Assistant Superintendent, Teaching, Learning and Accountability
Mr. Paul Tandy	Director of Communications

FINANCIAL ADMINISTRATION

Mr. Wes Garton	Chief Financial Officer
Mrs. Maureen Dennis	Director of Finance



Parkway Students /Parents/Community/Schools/Staff

Project Parkway Steering Committee

Safety Network Committee

Board of Education

Superintendent of Schools

Admin. Asst. BOE and Superintendent

Chief Financial Officer

- Finance
- Insurance & Benefits
- Grants Administration
- Technology
- Purchasing
- Transportation
- Facilities
- Security
- Food Services
- Environmental Services

Assistant Superintendent, Secondary Education and Student Services

- Secondary Education
- Alternative Education
- Student Discipline
- Health Services
- Athletics & Activities
- Pupil Personnel & Diversity
- Counseling
- Special Services

Assistant Superintendent, Elementary Education and Human Resources

- Elementary Education
- Early Childhood Education
- Summer School
- Human Resources

Assistant Superintendent, Teaching, Learning, and Accountability

- Curriculum
- Professional Development
- Classified Staff Development
- Technology Integration
- CSIP/MSIP/NCLB
- Program Evaluation
- Accountability: Written / Taught / Tested Curriculum
- Assessment: Student Achievement Data Coaches Data Teams

Director Communications

- Communications
- Government Affairs
- Chambers of Commerce
- Mayors
- Realtors
- Community Education
- OASIS
- Project Parkway
- Academic Calendar

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

PARKWAY C-2 SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2009

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

Angela Letunian

President

John D. Mueser

Executive Director

Independent Auditors' Report

Board of Education
Parkway C-2 School District

We have audited the accompanying financial statements of the governmental activities and each major fund of Parkway C-2 School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Parkway C-2 School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 and budgetary comparison information on pages 50 and 51 and Schedule of Funding Progress on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Parkway C-2 School District financial statements as a whole. The introductory section on pages i through xiii, supplementary information on pages 55 and 56 and the statistical section on pages 58 through 82 are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

St. Louis, Missouri
September 30, 2010

PARKWAY C-2 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 – UNAUDITED

The Management's Discussion and Analysis (MD&A) of the Parkway C-2 School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance. Readers should also review the Transmittal Letter, financial statements and notes accompanying the financial statements to enhance their understanding of the District's financial performance.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999, and implemented by the District in 2002. It is intended to better communicate the past and current financial position of the District.

FINANCIAL HIGHLIGHTS

Key financial highlights for the Fiscal Year 2009-2010 include the following:

- Net assets decreased by \$13,296,532 for the year ended June 30, 2010. The net decrease was comprised of the following elements:

	<u>Increase (Decrease)</u>
Invested in capital assets, net of related debt	\$ (6,874,893)
Restricted for:	
Capital projects	4,735,586
Debt service	(777,038)
Certificated employee compensation and benefits	(1,308,678)
Unrestricted	<u>(9,071,509)</u>
Net decrease	<u><u>\$(13,296,532)</u></u>

The amount, "Invested in capital assets, net of related debt", decreased as a result of significant additions to the capital assets for bond projects currently underway and are offset by the retirement of general obligation bonds. Capital assets, net of accumulated depreciation increased \$1,998,724; bond reserves generated from the issuance of general obligation debt decreased \$17,765,320 because the District used these funds for several building projects; and long-term debt increased \$8,891,703. This led to a net decrease in capital assets, net of related debt of \$6,874,893.

Anticipated capital outlay spending was lower than expected resulting in an increase of \$4,735,586 to the District's "Net assets restricted for capital projects". "Net assets related to debt service" decreased \$777,038. "Net assets restricted for certificated employee compensation and benefits" decreased \$1,308,678.

Unrestricted Net Assets decreased \$9,071,509 primarily due to spending down available reserves.

PARKWAY C-2 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 – UNAUDITED

FINANCIAL HIGHLIGHTS (continued)

- Total assets decreased by \$21,436,823 attributed to the following elements:

	<u>Increase (Decrease)</u>
Cash and investments	\$(22,815,563)
Receivables	(526,096)
Prepaid expenses and inventory items	(35,670)
Capital assets, net of depreciation	1,998,724
Other assets	<u>(58,218)</u>
Net decrease	<u><u>\$(21,436,823)</u></u>

The decrease in cash and investments is comprised of two major elements. First, the bond issue reserve balance decreased \$17,832,745 from the prior year due to the on-going maintenance and construction projects. This decrease coupled with a \$4,619,818 decrease in operating cash balances as a result of lower fiscal year end fund balances, resulted in a \$22,815,563 decrease in cash and investments.

The decrease in receivables is attributable to property tax receivables being lower than the previous year.

The increase in capital assets, net of depreciation, is the result of building additions and alterations being completed throughout the year.

- Total liabilities decreased by \$9,109,391 due to the following items:

	<u>Increase (Decrease)</u>
Accounts payable, salaries and other payables	\$ 88,834
Claims payable	(80,346)
Deferred revenues	(226,176)
Liabilities due within one year	886,036
Liabilities due in more than one year	<u>(8,808,639)</u>
Net decrease	<u><u>\$(8,140,291)</u></u>

The decrease in claims payable is due to a relatively stable participation rate in the self-funded medical plan.

The net decrease in liabilities due within one year and liabilities due in more than one year is the result of paying down the general obligation bonds and lease purchase agreements.

PARKWAY C-2 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 – UNAUDITED

FINANCIAL HIGHLIGHTS (continued)

- The largest source of revenue for the District continues to be locally assessed property taxes. In fiscal year 2010, the assessed valuation decreased \$234,859,915 (5.01%) to \$4,448,004,710 from the prior year. The collection rate, on a full accrual basis of accounting, slightly decreased to 97.05% from 97.21% in the prior year. Taking these factors into consideration, property taxes collected were \$1,102,158 lower than the prior year.
- Other local tax revenues, such as county stock insurance, M&M surtax, financial institution taxes and locally assessed railroad and utility taxes are collected and distributed by the St. Louis County Department of Revenue. These taxes accounted for \$7,970,946 in General Revenues. This was a reduction of \$313,904 from the prior year.
- Sales tax revenues are distributed by the Missouri Department of Elementary and Secondary Education based on a per pupil allocation. The current year's per pupil amount was \$763.83 per eligible pupil. This was a decrease of \$810.68 from the prior year. The economic recession continues to play a part in how individuals spend. The number of eligible pupils also decreased 70.89 to 14,916.13. The decrease in eligible pupils along with the decrease in the per pupil allocation resulted in a \$503,722 decrease in revenue.
- State Aid is generated from the State of Missouri's School Foundation Formula and is distributed based on a modified per pupil basis. The District is considered a hold harmless district which means that local proceeds mainly support the District's operations. Hold harmless districts receive a minimum per pupil allocation from the State of Missouri. That per pupil rate for fiscal year 2010 was \$567.46 down from \$568.88. The hold harmless formula generated \$1,422,475 less in revenue than the prior year. This decrease in funding is the result of the severe economic conditions in the State of Missouri. Federal government funds replaced this shortfall with \$1,260,188 in Federal Stimulus ARRA funds.
- Interest rates on the invested idle funds ranged from 0.24% in July 2009 to approximately 1.0% in June 2010. Interest rates were significantly less than the prior year and this resulted in a \$1,865,919 reduction in interest earnings.
- Charges for services are considered program revenue. The largest revenue source of charges for services is the tuition reimbursement for students living in the City of St. Louis and attending the District. The District received \$10,243,191 in tuition revenue, which is a decrease of \$2,035,632 from the prior year. The child nutrition program also was a large contributor to this revenue category. Fees charged for the lunch program accounted for \$4,491,029 in revenue, an increase of \$136,706 from the prior year. Other large sources of program revenues include student activity receipts; \$3,182,842 and tuition – full day kindergarten; \$1,544,638. The total decrease in charges for services revenue was \$2,085,711 from the prior year.

PARKWAY C-2 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 – UNAUDITED

FINANCIAL HIGHLIGHTS (concluded)

- Grants and contributions account for \$11,350,240 in program revenues. The five largest sources of revenue within this category are the adult education and literacy program, \$1,020,392; federally funded child nutrition program, \$1,793,535; state reimbursed transportation aid, \$1,519,726; the federally funded Title I program, \$953,944; contracted educational transportation services, \$2,421,992; and federal budget ARRA stimulus funds, \$1,260,188. These six sources generated \$7,709,589 in program revenue. Total grants and contributions are \$443,843 higher than the prior year.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

The District uses the Comprehensive Annual Financial Report (CAFR) format to report financial information. This document consists of a series of financial statements and associated notes to those statements. These statements are organized so the reader can understand the District's financial standing. The "Reporting the District as a Whole" Section, consisting of the Statement of Net Assets and the Statement of Activities provide highly consolidated financial information and render a government-wide perspective of the District's financial position. The Fund Financial Statements that follow provide increasingly more detailed information on specific financial activities.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities present an aggregate view of the District's financial standing. It also provides a more in depth view of the District's current financial standing than would normally be seen in the Governmental Fund Type statements. These statements include all assets and liabilities using the full accrual basis of accounting. Accrual basis of accounting factors when the funds are used regardless of when the District receives funds or when the District pays for services.

These two statements report the District's net assets and changes in those assets. By showing the change in net assets, the readers can determine whether the financial condition of the District improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, student enrollment, facility conditions and required educational programs for which little or no funding is provided.

Fund Financial Statements

The analysis of the District's major funds begins on page 17. Fund financial statements provide more in-depth information about the District's financial position and results of operations. The District's major funds are the General Fund, Special Revenue Fund, Capital Projects Fund and the Debt Service Fund. These fund statements report governmental activities on a current or short-term basis.

PARKWAY C-2 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 – UNAUDITED

REPORTING THE DISTRICT AS A WHOLE (concluded)

Governmental Funds

Most of the District's activities are reported in governmental funds format. This format focuses on how money flows in and out of these funds and shows the reader the remaining balances left at end of the fiscal year. These funds are reported using the modified accrual basis of accounting. The statements measure cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a short-term view of the District's general governmental operations and the basic services the District provides. Governmental fund information helps the reader determine the changes in financial resources in order to understand what can be spent in the near future. The relationship between governmental activities (as reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities because the District attempts to recover costs through charges to the user. An example of a proprietary fund would be the Internal Service Fund (Self-Funded Health Insurance Plans).

THE DISTRICT AS A WHOLE

Governmental Activities

As reported in the Statement of Activities on page 16, the cost of the District's governmental activities for the year ended June 30, 2010 was \$232,399,156. The Statement of Activities shows the cost of program services, the charges for services and the operating grant contributions offsetting some of these services. Grants and contributions totaled \$11,350,240 and helped pay for certain programs. Charges for services include the following activities; tuition reimbursement, activity fees, fees for school lunches and facility use charges, contributed \$21,615,991 towards these programs. The remaining amount was financed primarily by the taxpayers of the District through ad valorem and property tax revenue totaling \$176,545,344. Investment earnings contributed \$1,324,711. State aid, miscellaneous county revenues and unrestricted grants and contributions accounted for \$8,226,338. The "net cost" statement, on the following page, determines the remaining cost of the various categories and informs the reader how much each program is funded by proceeds other than grants, state and federal funds.

PARKWAY C-2 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 – UNAUDITED

THE DISTRICT AS A WHOLE (continued)

Governmental Activities (continued)

Table I compares the Total and Net Costs of Governmental Activities for 2010 to 2009.

Table I
Total and Net Costs of Governmental Activities
(in millions)
Year ended June 30,

	2010		2009	
	Total cost of services	Net cost of services	Total cost of services	Net cost of services
Instructional programs	\$120.026	\$ 104.266	\$115.445	\$100.274
Student activities	3.901	0.745	3.630	0.294
Attendance, guidance and health services	9.284	9.284	8.704	8.704
Improvements of instruction and professional dev.	6.451	6.451	6.779	5.873
Media services	3.641	3.641	3.466	3.466
Board of Education and executive administration	2.549	2.549	2.612	2.612
Building level administration	18.171	18.171	17.496	17.496
Operation of plant	22.989	22.989	23.583	23.477
Pupil transportation	9.030	4.836	8.988	4.948
Food services	6.083	(0.202)	6.207	0.385
Business and central services	11.581	11.476	8.919	8.884
Security services	1.119	1.119	0.956	0.956
Adult education	1.892	0.872	1.901	0.851
Community services	3.218	0.772	3.127	0.429
Facility acquisition and construction	4.146	4.146	4.160	2.716
Debt services	8.318	8.318	6.517	6.517
Total	<u>\$232.399</u>	<u>\$ 199.433</u>	<u>\$222.490</u>	<u>\$187.882</u>

Note: Net cost of services is computed by taking the total cost of services and subtracting charges for services and operating grants and contributions.

PARKWAY C-2 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 – UNAUDITED

THE DISTRICT AS A WHOLE (continued)

Governmental Activities (continued)

Table II compares the District's Net Assets as of June 30, 2010 to June 30, 2009.

Table II
Condensed Statements of Net Assets
(in millions)
June 30,

	<u>2010</u>	<u>2009</u>
Assets		
Current and other assets	\$ 123.720	\$147.155
Capital assets	<u>198.312</u>	<u>196.314</u>
Total assets	<u>\$ 322.032</u>	<u>\$343.469</u>
Liabilities		
Other liabilities	\$ 13.960	\$ 14.177
Noncurrent liabilities	<u>153.757</u>	<u>161.680</u>
Total liabilities	167.717	175.857
Net assets		
Invested in capital assets, net of related debt	85.603	92.478
Restricted	23.267	20.618
Unrestricted	<u>45.445</u>	<u>54.516</u>
Total net assets	<u>154.315</u>	<u>167.612</u>
Total liabilities and net assets	<u>\$ 322.032</u>	<u>\$343.469</u>

PARKWAY C-2 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 – UNAUDITED

THE DISTRICT AS A WHOLE (continued)

Governmental Activities (concluded)

Table III compares the Changes in Net Assets for fiscal year ended June 30, 2010 to June 30, 2009.

Table III
Changes in Net Assets for Government-Wide Activities
(in millions)
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Program revenues		
Charges for services	\$ 21.616	\$ 23.702
Operating grants and contributions	11.350	10.906
General revenue		
Property taxes and other county taxes	164.993	166.854
Sales taxes	11.552	12.056
State aid	7.222	8.643
Investment earnings	1.044	2.170
Other	1.325	2.395
Total revenue	<u>219.102</u>	<u>226.726</u>
Program expenses		
Instruction	123.927	119.074
Pupil services	9.284	8.705
Improvement of instruction	6.451	6.779
Media services	3.641	3.466
Board and executive administration services	2.549	2.612
Building level administration	18.171	17.496
Operation of plant	24.108	24.538
Pupil transportation	9.030	8.988
Food services	6.083	6.207
Business services	11.581	8.920
Continuing education	1.892	1.901
Community services	3.218	3.127
Facility acquisition and construction	4.146	4.160
Debt administration	8.318	6.517
Total expenses	<u>232.399</u>	<u>222.490</u>
Increase (decrease) in net assets	<u>\$ (13.297)</u>	<u>\$ 4.236</u>
Ending net assets	<u>\$154.315</u>	<u>\$167.612</u>

PARKWAY C-2 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 – UNAUDITED

THE DISTRICT AS A WHOLE (concluded)

District Funds

Total sources of revenue, including other financing sources, for all governmental funds were \$220,928,185 while District expenditures were \$241,720,966. As the District completed its fiscal year ended June 30, 2010, the governmental fund balance was \$107,500,002 as compared to \$128,292,783 on June 30, 2009. After factoring out the reserved bond issue fund balance of \$33,805,315, the unreserved fund balance decreased \$2,960,035.

BUDGETING HIGHLIGHTS

The District's budget is prepared according to the Public School Laws of Missouri. During the course of the fiscal year, the School Board has the opportunity to approve budget adjustments on two separate occasions, once in the fall and again in the spring. Missouri Revised Statute 67.030 permits budget amendments to the expenditure budget as long as the changes do not exceed estimated revenues to be received during the year plus the unencumbered balance at the beginning of the fiscal year. The original budget for the School District was adopted June 17, 2009 with amendments being approved on December 9, 2009 and June 16, 2010.

Statements showing the District's original and final budget compared with the actual operating results of the District are provided in this Comprehensive Annual Financial Report (CAFR) beginning on page 49. The School District's year-end results were slightly better than had been projected, as conservative budgetary practices are customary.

During the fall of each school year, budget amendments are presented to the Board of Education. The main objective of these adjustments is to refine the initial budget based on newly acquired information from the State of Missouri's Department of Elementary and Secondary Education for purposes of revenue projections. On the expenditure side, adjustments are made to the initial salary and benefit projections to reflect actual salary levels. In addition, school and program budgets are adjusted to include certain budget surpluses left unspent from the prior year. These amounts are not known at the time the initial budget is developed but have the Board of Education's approval to add them at a later date. Throughout the year, approximately \$45,183,958 was added to the budgets within the General, Special Revenue, Debt Service and Capital Projects Funds. Of this amount, \$38,771,813 was identified for facility bond maintenance projects, \$325,000 for the Debt Service fund and \$6,087,145 in funds carried forward from the previous year.

For the General Fund, actual revenues came in under budget by \$3,563,115 or 4.47%. Total actual expenditures for the general fund were below the revised budget estimates by \$3,746,500. The fund balance of \$48,598,767 is \$6,752,796 lower than the prior year and \$828,234 higher than anticipated.

PARKWAY C-2 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 – UNAUDITED

BUDGETING HIGHLIGHTS (concluded)

For the Special Revenue Fund, the actual revenues came in \$586,224 under budget or 0.47%. Total actual expenditures for the special revenue fund were below revised projections by \$1,843,964. The fund balance of \$349,340 is \$575,826 lower than the prior year, but \$1,257,740 higher than projected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2010, the District had \$350,588,842 invested in land, buildings, furniture, equipment, vehicles, buses and construction projects in process. Of this amount, \$152,276,380 has been taken in depreciation. The District's capital assets currently has a net book value of \$198,312,462 or 56% of the all capital asset's original cost. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of assets for the year.

Table IV
Capital Assets
June 30,

	<u>2010</u>	<u>2009</u>
Land and land improvements	\$ 19,715,237	\$ 19,630,143
Buildings and building improvements	296,788,936	295,709,437
Vehicles and equipment	19,572,445	19,239,058
Construction in progress	<u>14,512,224</u>	<u>3,327,802</u>
Totals	<u>\$ 350,588,842</u>	<u>\$ 337,906,440</u>

During the current year, additions of \$14,049,531 of capital assets were capitalized while \$1,367,129 were deleted or retired. Depreciation for the year ended June 30, 2010 was \$11,784,230. Major renovation and maintenance projects will continue for Fiscal Year 2010-2011 and will be funded using proceeds from the March 2009 bond issue.

PARKWAY C-2 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 – UNAUDITED

CAPITAL ASSETS AND DEBT ADMINISTRATION (concluded)

Debt Administration

On June 30, 2010, the District had \$141,881,194 in outstanding general obligation bonds. These bonds were originally issued for the purpose of capital improvements, building additions, and technology system advancements.

Table V
Outstanding Debt
June 30,

	<u>2010</u>	<u>2009</u>
General obligation bonds		
Series 2009	\$ 59,085,000	\$ 60,660,000
Series 2005	27,000,000	27,500,000
Series 2004(B)	10,371,968	11,081,968
Series 2004	34,930,000	36,715,000
Series 2003(B)	2,990,000	4,095,000
Series 2003	6,920,249	8,519,991
Series 1999	-	440,000
Series 1997	583,977	1,198,321
	<u> </u>	<u> </u>
Total	<u>\$ 141,881,194</u>	<u>\$ 150,210,280</u>

~~Note: Other long-term obligations include accrued compensated absences obligations under capital leases, other postemployment benefit obligation and early retirement incentives.~~

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Because of the current economic recession, the Fiscal Year 2010-2011 budget was prepared without much change from the prior year. The District was fortunate that the recent recession did not significantly impact the revenue flow. Investment earnings and sales tax (Prop C) revenues were the only two revenue sources that were impacted. The District anticipates that this reduced revenue flow will continue into next year and the budget was prepared accordingly. Despite the on-going depressed economy, the District expects to end the Fiscal Year 2010-2011 with an operating cash surplus of approximately \$13.4 million beyond the policy requirements of approximately \$36.4 million.

For Fiscal Year 2010-2011, the District intends to increase FTE to support a consistent middle school model for scheduling classes. In addition to the middle school initiative, the District will continue its expansion of the MOSAICS program and increase staffing to support English as a Second Language (ESL) students, addition of A+ coordinators at the high school level and an additional progress monitoring coach. The approximate increase in staffing amounts to about 20 FTE.

PARKWAY C-2 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 – UNAUDITED

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (concluded)

All other program budgets have been reduced by 5% from Fiscal Year 2009-2010. School building budgets were maintained at the same per pupil allocation as in Fiscal Year 2009-2010. Per pupil expenditures are expected to decrease by \$459 or 3.8% totaling \$11,434 per student. This decrease in student expenditures is related to a reduction in student population. Fortunately, the District's revenue isn't reliant on the number of students attending.

As part of the normal budgeting process, long-range projections are developed and continually updated. This process allows the District to determine how much of the available resources can be used for on-going projects, such as new programs or initiatives, versus one-time projects, such as facility repairs. At the same time, budget requests are distinguished between "Core" and "Extra" costs, as well as "New/Continuing" initiatives, should there be the need for future adjustments or reductions.

In addition to balancing the revenue and expenditure budgets, District policy sets two separate and distinct beginning of the fiscal year minimum cash requirements. The first is an operating reserve equal to 13.5% of the original combined operating expenditure budgets. Due to the cyclical nature of District revenues and expenditures, this reserve is designed to cover cash flow needs during the period of October thru December, just prior to the collection of the property tax revenues in late December and January. This eliminates the need for short-term borrowing to cover cash requirements.

The second of the minimum cash requirement reserves is for contingency planning. This reserve is equal to 3.8% of the combined operating expenditure budgets. Due to the age of the buildings within the District, the potential for emergency situations will continue to persist. In addition to emergency funding for facilities, there is a level of uncertainty tied to revenue received from the Voluntary Student Transfer (VST) program. Should the number of students participating in the VST program significantly drop or cost reimbursements decrease, due to changes in state funding, then this reserve would allow the District to maintain its existing programs.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, investors and creditors with a full and complete disclosure of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional copies, they can be obtained by contacting the following people:

Wes Garton
Chief Financial Officer

Maureen Dennis
Director of Finance

Parkway School District
455 No. Woods Mill Road
Chesterfield, MO 63017
314-415-8100

PARKWAY C-2 SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

	Governmental activities
ASSETS	
Cash and investments	\$ 112,418,770
Restricted cash and investments	1,643,704
Property taxes receivable - net of allowance for uncollectibles of \$3,232,968	3,900,487
Other receivables	
Local	866,063
State	2,011,691
Federal	568,522
Prepaid items	1,143,494
Inventories	686,097
Other assets	480,765
Capital assets, net of accumulated depreciation	
Land	3,457,837
Other capital assets	194,854,625
	<hr/>
TOTAL ASSETS	\$ 322,032,055
	<hr/>
LIABILITIES	
Accounts payable	\$ 5,075,147
Salaries payable	849,182
Medical and dental benefits payable	2,695,810
Deferred revenues	1,568,697
Interest payable	3,770,900
Noncurrent liabilities	
Due within one year	13,182,438
Due in more than one year	140,574,632
	<hr/>
Total liabilities	167,716,806
	<hr/>
NET ASSETS	
Investment in capital assets, net of related debt	85,602,907
Restricted for:	
Capital projects	13,726,669
Debt service	7,722,154
Certificated employees' compensation and benefits	1,818,724
Unrestricted	45,444,795
	<hr/>
Total net assets	154,315,249
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 322,032,055
	<hr/>

The accompanying notes are an integral part of this statement.

PARKWAY C-2 SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year ended June 30, 2010

Function/Program	Expenses	Program revenues		Net (expense)
		Charges for services	Operating grants and contributions	revenue and changes in net assets
				Total Governmental activities
Governmental activities				
Instruction	\$ 120,026,174	\$ 12,008,255	\$ 3,751,541	\$ (104,266,378)
Student activities	3,900,719	3,156,117	-	(744,602)
Attendance	650,152	-	-	(650,152)
Guidance	6,460,908	-	-	(6,460,908)
Health services	2,173,494	-	-	(2,173,494)
Improvement of instruction	6,327,627	-	-	(6,327,627)
Professional development	122,904	-	-	(122,904)
Media services	3,640,805	-	-	(3,640,805)
Board of Education services	351,664	-	-	(351,664)
Executive administration	2,197,000	-	-	(2,197,000)
Building level administration	18,170,997	-	-	(18,170,997)
Operation of plant	22,989,369	-	-	(22,989,369)
Pupil transportation	9,030,267	-	4,194,246	(4,836,021)
Food services	6,082,553	4,491,029	1,793,535	202,011
Business and central services	11,580,655	104,617	-	(11,476,038)
Security services	1,119,123	-	-	(1,119,123)
Adult basic education	841,527	-	1,020,392	178,865
Adult continuing education	1,051,002	-	-	(1,051,002)
Community services	3,218,247	1,855,973	590,526	(771,748)
Facilities	4,145,737	-	-	(4,145,737)
Debt service				
Interest	7,935,381	-	-	(7,935,381)
Other expenses	382,851	-	-	(382,851)
Total governmental activities	\$ 232,399,156	\$ 21,615,991	\$ 11,350,240	(199,432,925)
General revenues				
Taxes				
Property taxes				164,993,061
Sales taxes				11,552,283
State aid				7,221,966
Grants and contributions not restricted to specific programs				1,044,372
Investment earnings				1,324,711
Total general revenues				186,136,393
Changes in net assets				(13,296,532)
Net assets at July 1, 2009				167,611,781
Net assets at June 30, 2010				\$ 154,315,249

The accompanying notes are an integral part of this statement.

PARKWAY C-2 SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 47,321,410	\$ (1,879,825)	\$ 9,479,720	\$ 51,207,016	\$ 106,128,321
Restricted cash and investments	-	-	1,643,704	-	1,643,704
Property taxes receivable - net of allowance for uncollectibles of \$3,232,968	1,263,095	2,125,471	370,030	141,891	3,900,487
Other receivables					
Local	655,125	210,938	-	-	866,063
State	649,550	1,362,141	-	-	2,011,691
Federal	568,522	-	-	-	568,522
Prepaid items	1,143,494	-	-	-	1,143,494
Inventories	686,097	-	-	-	686,097
Total assets	<u>\$ 52,287,293</u>	<u>\$ 1,818,725</u>	<u>\$ 11,493,454</u>	<u>\$ 51,348,907</u>	<u>\$ 116,948,379</u>
LIABILITIES					
Accounts payable	\$ 1,257,825	\$ -	\$ 400	\$ 3,816,922	\$ 5,075,147
Salaries payable	849,182	-	-	-	849,182
Deferred revenues	1,581,519	1,469,385	350,542	122,602	3,524,048
Total liabilities	<u>3,688,526</u>	<u>1,469,385</u>	<u>350,942</u>	<u>3,939,524</u>	<u>9,448,377</u>
FUND BALANCES					
Reserved for					
Student activities	3,185,541	-	-	-	3,185,541
Prepaid items	1,143,494	-	-	-	1,143,494
Inventory	686,097	-	-	-	686,097
Capital improvement	-	-	-	33,805,316	33,805,316
Unreserved					
Undesignated	43,583,635	349,340	11,142,512	13,604,067	68,679,554
Total fund balances	<u>48,598,767</u>	<u>349,340</u>	<u>11,142,512</u>	<u>47,409,383</u>	<u>107,500,002</u>
Total liabilities and fund balances	<u>\$ 52,287,293</u>	<u>\$ 1,818,725</u>	<u>\$ 11,493,454</u>	<u>\$ 51,348,907</u>	<u>\$ 116,948,379</u>

The accompanying notes are an integral part of this statement.

PARKWAY C-2 SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET ASSETS June 30, 2010

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds		\$ 107,500,002
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$350,588,842 and the accumulated depreciation is \$152,276,380		198,312,462
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds as follows: Deferred tax revenue		3,043,524
Bond issuance costs are reported as expenditures in the governmental funds. The cost is \$817,775 and the accumulated amortization is \$337,010		480,765
To recognize interest accrued on general obligation bonds and obligations under capital leases		(2,287,163)
To recognize the accretion of interest on capital appreciation bonds		(1,483,737)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statements of net assets		2,506,466
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds as follows:		
General obligation bonds	(143,539,345)	
Missouri Department of Natural Resources loan	(369,942)	
Compensated absences	(1,380,219)	
Early retirement payable	(3,904,980)	
Postemployment benefits other than pensions	(1,957,000)	
Capital lease obligation	(2,605,584)	
Total		<u>(153,757,070)</u>
Total net assets - governmental activities		<u>\$ 154,315,249</u>

The accompanying notes are an integral part of this statement.

PARKWAY C-2 SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year ended June 30, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues					
Local	\$ 59,144,333	\$ 106,741,969	\$ 14,862,983	\$ 5,612,962	\$ 186,362,247
County	822,263	1,978,842	380,753	115,359	3,297,217
State	4,236,595	5,471,892	-	-	9,708,487
Federal	5,406,303	925,276	-	28,950	6,360,529
Interest	310,949	623,165	177,787	3,616	1,115,517
Other - student activities	3,156,117	-	-	-	3,156,117
VICC - cost reimbursement	3,072,957	7,170,234	-	-	10,243,191
Total revenues	<u>76,149,517</u>	<u>122,911,378</u>	<u>15,421,523</u>	<u>5,760,887</u>	<u>220,243,305</u>
Expenditures					
Current					
Instruction	10,819,210	99,298,362	-	-	110,117,572
Student activities	3,719,099	181,620	-	-	3,900,719
Attendance	496,212	143,850	-	-	640,062
Guidance	602,547	5,848,401	-	-	6,450,948
Health services	2,055,619	124,622	-	-	2,180,241
Improvement of instruction	2,430,098	3,710,829	-	-	6,140,927
Professional development	-	122,904	-	-	122,904
Media services	828,452	2,798,207	-	-	3,626,659
Board of Education services	340,522	-	-	-	340,522
Executive administration	1,530,464	664,259	-	-	2,194,723
Building level administration	7,792,906	9,220,784	-	-	17,013,690
Operation of plant	22,171,803	-	-	-	22,171,803
Pupil transportation	8,312,423	-	-	-	8,312,423
Food services	5,987,440	-	-	-	5,987,440
Business and central services	10,864,277	171,880	-	-	11,036,157
Security services	1,116,808	-	-	-	1,116,808
Adult basic education	840,285	-	-	-	840,285
Adult continuing education	1,051,604	-	-	-	1,051,604
Community services	1,926,220	1,201,486	-	-	3,127,706
Capital outlay	-	-	-	17,928,692	17,928,692
Debt service					
Principal retirement	257,884	-	8,329,086	807,810	9,394,780
Interest	22,901	-	7,511,597	106,952	7,641,450
Other	380,388	-	2,463	-	382,851
Total expenditures	<u>83,547,162</u>	<u>123,487,204</u>	<u>15,843,146</u>	<u>18,843,454</u>	<u>241,720,966</u>
Excess of revenues under expenditures	(7,397,645)	(575,826)	(421,623)	(13,082,567)	(21,477,661)
Other financing sources					
Capital lease obligation	644,849	-	-	-	644,849
Proceeds from the sale of school buses	-	-	-	40,031	40,031
Total other financing sources	<u>644,849</u>	<u>-</u>	<u>-</u>	<u>40,031</u>	<u>684,880</u>
NET CHANGE IN FUND BALANCE	(6,752,796)	(575,826)	(421,623)	(13,042,536)	(20,792,781)
Fund balances at July 1, 2009	<u>55,351,563</u>	<u>925,166</u>	<u>11,564,135</u>	<u>60,451,919</u>	<u>128,292,783</u>
Fund balances at June 30, 2010	<u>\$ 48,598,767</u>	<u>\$ 349,340</u>	<u>\$ 11,142,512</u>	<u>\$ 47,409,383</u>	<u>\$ 107,500,002</u>

The accompanying notes are an integral part of this statement.

PARKWAY C-2 SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES
Year ended June 30, 2010

Net change in fund balances - total governmental funds		\$ (20,792,781)
<p>Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital asset purchases	14,049,531	
Depreciation expense	<u>(11,784,230)</u>	2,265,301
<p>Revenue in the Statement of Activities that does not provide current financial resources are not reported as revenues in the governmental funds. These amounts consist of:</p>		
Decrease in deferred tax revenue		(1,389,908)
<p>The principal payments on the capital leases are reported as expenditures in the governmental funds, but the repayment reduces the lease liability.</p>		
		878,383
<p>Increase in OPEB liability</p>		
		(891,000)
<p>The governmental funds report debt (e.g. bonds) proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of debt and related items is as follows:</p>		
Proceeds from capital lease obligation	(644,849)	
Repayment of bond principal	8,329,086	
Repayment of DNR Energy loan principal	187,311	
Amortization of bond issuance costs	(58,217)	
Amortization of bond premium	293,706	
Amortization of deferred amounts on refunding	<u>(84,508)</u>	
Total		8,022,529
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:</p>		
Increase in compensated absences		(23,774)
Increase in early retirement		(121,752)
Net increase in accrued interest		(235,714)
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the Statement of Activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p>		
		(741,239)
<p>In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these assets.</p>		
Loss on disposal of fixed assets		<u>(266,577)</u>
Change in net assets of governmental activities		<u><u>\$ (13,296,532)</u></u>

The accompanying notes are an integral part of this statement.

PARKWAY C-2 SCHOOL DISTRICT

STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2010

	Governmental Activities - Internal Service Fund
CURRENT ASSETS	
Cash	<u>\$ 6,290,449</u>
CURRENT LIABILITIES	
Medical and dental benefits payable	\$ 2,695,810
Deferred revenues	<u>1,088,173</u>
Total liabilities	3,783,983
NET ASSETS	
Unrestricted	<u>2,506,466</u>
Total liabilities and net assets	<u><u>\$ 6,290,449</u></u>

The accompanying notes are an integral part of this statement.

PARKWAY C-2 SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND

Year ended June 30, 2010

	Governmental Activities - Internal Service Fund
Operating revenues	
Contributions by employees	\$ 6,668,095
Contributions by employer	19,892,884
Other income	592,466
	<hr/>
Total operating revenues	27,153,445
 Operating expenses	
Claims	25,758,813
Excess loss insurance	142,324
Administrative	1,684,408
Other	321,029
	<hr/>
Total operating expenses	27,906,574
Operating loss	(753,129)
 Non-operating revenues	
Interest income	11,890
	<hr/>
CHANGE IN NET ASSETS	(741,239)
 Net assets at July 1, 2009	 <hr/> 3,247,705
 Net assets at June 30, 2010	 <hr/> <hr/> \$ 2,506,466

The accompanying notes are an integral part of this statement.

PARKWAY C-2 SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended June 30, 2010

	Governmental Activities - Internal Service Fund
Cash flows from operating activities	
Cash received from employer contributions	\$ 19,892,884
Cash received from employee contributions	6,668,095
Cash received from insurance	622,287
Cash payments to suppliers for claims and services	<u>(27,986,920)</u>
Net cash used in operating activities	(803,654)
 Cash flows from investing activities	
Interest on investments	<u>11,890</u>
 NET DECREASE IN CASH	(791,764)
 Cash at July 1, 2009	<u>7,082,213</u>
 Cash at June 30, 2010	\$ <u><u>6,290,449</u></u>
 Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (753,129)
Change in claims payable	(80,346)
Change in deferred revenues	<u>29,821</u>
 Net cash used in operating activities	\$ <u><u>(803,654)</u></u>

The accompanying notes are an integral part of this statement.