

PARK OHIO HOLDINGS CORP

Form 11-K

June 19, 2012

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

or

TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-3134

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
INDIVIDUAL ACCOUNT RETIREMENT PLAN OF PARK-OHIO INDUSTRIES, INC. AND ITS SUBSIDIARIES

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

PARK-OHIO HOLDINGS CORP.

6065 Parkland Boulevard

CLEVELAND, OHIO 44124

Table of Contents

INDEX

	PAGE (S)
<u>Report of Independent Registered Public Accounting Firm</u>	F-1
FINANCIAL STATEMENTS	
<u>Statements of Net Assets Available for Benefits</u>	F-2
<u>Statement of Changes in Net Assets Available for Benefits</u>	F-3
<u>Notes to Financial Statements</u>	F-4 F-12
SUPPLEMENTAL SCHEDULE	
<u>Schedule H, Line 4i Schedule of Assets (Held at End of Year)</u>	F-13

Table of Contents

EXHIBITS

Exhibit Number	Description
23.1	Consent of Independent Auditors

* Other supplemental schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Administrator of the Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Individual Account

Retirement Plan of

Park-Ohio Industries, Inc.

and its Subsidiaries

Date: June 19, 2012

By /s/ Patrick W. Fogarty

Name: Patrick W. Fogarty

Title: Interim Chief Financial Officer

Director of Corporate Development

Table of Contents

AUDITED FINANCIAL STATEMENTS AND

SUPPLEMENTAL SCHEDULE

Individual Account Retirement Plan of Park-Ohio

Industries, Inc. and its Subsidiaries

December 31, 2011 and 2010

With Report of Independent Registered Public Accounting Firm

Table of Contents

Individual Account Retirement Plan of Park-Ohio

Industries, Inc. and its Subsidiaries

Audited Financial Statements and Supplemental Schedule

December 31, 2011 and 2010

Contents

<u>Report of Independent</u> Registered Public Accounting Firm	F-1
Financial Statements	
<u>Statements of Net Assets Available for Benefits</u>	F-2
<u>Statement of Changes in Net Assets Available for Benefits</u>	F-3
<u>Notes to Financial Statements</u>	F-4
<u>Supplemental Schedule</u>	
<u>Schedule H, Line 4i Schedule of Assets (Held at End of Year)</u>	F-13

Table of Contents

Report of Independent Registered Public Accounting Firm

The Plan Administrative Committee

Individual Account Retirement Plan of

Park-Ohio Industries, Inc. and its Subsidiaries

We have audited the accompanying statements of net assets available for benefits of the Individual Account Retirement Plan of Park-Ohio Industries, Inc. and its Subsidiaries as of December 31, 2011 and 2010, and the related statement of changes in net assets available for benefits for the year ended December 31, 2011. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2011 and 2010, and the changes in its net assets available for benefits for the year ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2011, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management. The information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

June 19, 2012

Table of Contents

Individual Account Retirement Plan of Park-Ohio

Industries, Inc. and its Subsidiaries

Statements of Net Assets Available for Benefits

	December 31	
	2011	2010
Assets		
Cash	\$	\$ 1,733
Investments, at fair value	69,934,338	71,269,034
Receivables:		
Notes receivable from participants	1,498,318	1,253,689
Employee contributions	361,590	320,025
Total receivables	1,859,908	1,573,714
 Net assets available for benefits	 \$ 71,794,246	 \$ 72,844,481

See accompanying notes.

Table of Contents

Individual Account Retirement Plan of Park-Ohio

Industries, Inc. and its Subsidiaries

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2011

Additions	
Investment income:	
Dividends and interest	\$ 1,026,113
Interest income on notes receivable from participants	59,949
Contributions:	
Participants	4,350,733
Rollovers	1,453,310
	5,804,043
Total additions	6,890,105
Deductions	
Net depreciation in fair value of investments	3,119,467
Distributions to participants	4,745,241
Corrective distributions	15,012
Trustee fees and expenses	60,620
Total deductions	7,940,340
Net decrease	(1,050,235)
Net assets available for benefits:	
Beginning of year	72,844,481
End of year	\$ 71,794,246

See accompanying notes.

Table of Contents

Individual Account Retirement Plan of Park-Ohio

Industries, Inc. and its Subsidiaries

Notes to Financial Statements

December 31, 2011 and 2010 and

Year Ended December 31, 2011

1. Significant Accounting Policies

Basis of Accounting

The accounting records of the Individual Account Retirement Plan of Park-Ohio Industries, Inc. and its Subsidiaries (the Plan) are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States.

Investment Value and Income Recognition

All investments are under the control and management of The Charles Schwab Trust Company, Plan Trustee. Purchases of investments are recorded at cost and revalued to market value at the close of each day by the Plan Trustee. All investments of the Plan are participant directed.

Investment income and realized and unrealized gains and losses are reported as net income derived from investment activities and are allocated among the individual accounts in proportion to their respective balances immediately preceding the valuation date.

Realized gains and losses are calculated based upon historical cost of securities using the average cost method.

The investments in common stock are stated at fair value, which equals the quoted market price on the last business day of the plan year. The fair value of the participation units held by the Plan in the mutual funds and common/collective fixed income investments funds are based on quoted redemption values on the last business day of the plan year. Purchases and sales of securities are recorded on a settlement-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Table of Contents

Individual Account Retirement Plan of Park-Ohio

Industries, Inc. and its Subsidiaries

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 amended ASC 820 to clarify certain existing fair value disclosures and require a number of additional disclosures. The requirement to present changes in Level 3 measurements on a gross basis is effective for reporting periods beginning after December 15, 2010. Since ASU 2010-06 only affects fair value measurement disclosures, adoption of ASU 2010-06 did not have an effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs*, (ASU 2011-04). ASU 2011-04 amended ASC 820, *Fair Value Measurement*, to converge the fair value measurement guidance in US generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures, although certain of these new disclosures will not be required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Plan's financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Table of Contents

Individual Account Retirement Plan of Park-Ohio

Industries, Inc. and its Subsidiaries

Notes to Financial Statements (continued)

2. Description of Plan

The Plan, adopted by Park-Ohio Industries, Inc. (Company) originally effective January 1, 1985 and last restated on April 10, 2009 is a defined contribution plan. The Plan generally provides that an employee who is in service of a division or group to which the Company has extended eligibility for membership in the Plan (other than a temporary employee or employees covered by a collective bargaining agreement that does not specify coverage under the Plan) will be eligible to participate after completion of the probationary period which generally occurs after 30 days of continuous employment. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Individual accounts are maintained for all participants. All amounts are credited or charged to an account in terms of full and fractional investment units at the investment unit values determined as of the transaction date. Each participant designates how his share of the contributions is to be allocated among the investment funds of the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

The Plan provides for contributions to be made to the Plan pursuant to a qualified cash or deferred arrangement under Section 401(k) of the Internal Revenue Code. If a participant elects to have contributions made for the participant pursuant to such an arrangement, the participant's compensation is reduced by the amount of such contributions elected and the employer makes plan contributions equal to the amount of the reduction.

The Company may terminate the Plan at any time by resolution of its Board of Directors, subject to the provisions of ERISA. In the event of the termination of the Plan, the beneficial interests of all participants under the Plan shall become fully vested.

Information about the Plan is contained in the Plan document, which is available from the Company's Plan Administrative Committee.

Table of Contents

Individual Account Retirement Plan of Park-Ohio

Industries, Inc. and its Subsidiaries

Notes to Financial Statements (continued)

3. Contributions

Contributions by employees to the Plan are made via payroll deductions. Employees may contribute up to 80% of their compensation on a pretax basis. Excluding catch-up contributions for eligible participants, contributions by employees may not exceed \$16,500, the Internal Revenue Service maximum contribution for 2011. Employee contributions are fully vested and nonforfeitable at all times.

The Plan provides for discretionary uniform rates of employer contributions for eligible employees, which generally include nonbargaining unit employees of the Company, so that each participant is entitled to basic contributions equal to 2% of credited compensation paid by the employer. The basic contribution is allocated among the investment options based on individual participant's investment allocation designation. During March 2009, the Company suspended indefinitely its contributions to the Plan.

Corrective distributions to participants represent current year contributions and earnings on such deposits that must be returned to employees to ensure Plan compliance with additional limitations in the Internal Revenue Code (the Code) on contributions by highly compensated individuals.

Participants of the Plan can make changes to their account, via the telephone or the internet, through Schwab Retirement Plan Services, Inc. The current provision of the system permits a participant to change investment allocation percentages daily and change payroll deferral percentages on the first day of every month.

4. Participant Loans

A participant may borrow from employee 401(k) contributions and earnings a minimum of \$1,000 and a maximum of the lesser of 50% of the participant's eligible account or \$50,000. Loan repayments are made via payroll deductions on after-tax dollars, which commence thirty to sixty days after receipt and acceptance of the loan check. Terms of the participant loan are five years for a personal loan and fifteen years for a mortgage loan, with interest payable at prime plus 1%. Interest rates were from 3.25% to 9.25% with maturities of varying dates.

F-7

Table of Contents

Individual Account Retirement Plan of Park-Ohio

Industries, Inc. and its Subsidiaries

Notes to Financial Statements (continued)

5. Investments

Investments that represent 5% or more of fair value of the Plan's net assets are as follows:

	December 31	
	2011	2010
Victory Value Fund	\$ 5,808,877	\$ 7,839,481
Schwab Value Advantage Fund	13,823,220	13,558,025
Growth Fund of America	5,937,681	6,887,020
Oakmark Equity Income	7,504,536	7,798,595
JP Morgan Core Bond Fund	8,445,970	7,236,263
Neuberger Berman Genesis Trust	3,698,965	4,188,405

During 2011, the Plan's investments (including investments purchased and sold, as well as held during the year) depreciated in fair value as determined by quoted market prices as follows:

	Net Depreciation in Fair Value of Investments
Park-Ohio Holdings Corp. Common stock fund	\$ (408,854)
Mutual funds	(2,451,359)
Common/collective trusts	(259,254)
Total	\$ (3,119,467)

Table of Contents

Individual Account Retirement Plan of Park-Ohio

Industries, Inc. and its Subsidiaries

Notes to Financial Statements (continued)

6. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible to the Plan at the measurement date for identical assets and liabilities.

Level 2 Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar asset or liabilities in markets that are not active;

Observable inputs other than quoted prices that are used in the valuation of the assets or liabilities (e.g., interest rate and yield curve quotes at commonly quoted intervals);

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Unobservable inputs for the asset or liability (i.e., supported by little or no market activity).

Level 3 inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Table of Contents

Individual Account Retirement Plan of Park-Ohio

Industries, Inc. and its Subsidiaries

Notes to Financial Statements (continued)

6. Fair Value Measurements (continued)

Following is a description of the valuation techniques and inputs used for each major class of assets measured at fair value.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds and common/collective trusts: Valued at the net asset value (NAV) of shares held by the plan at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value:

	Assets at Fair Value as of December 31, 2011		
	Level 1	Level 2	Total
Mutual funds	\$ 60,013,396	\$	\$ 60,013,396
Common/collective trusts		7,272,058	7,272,058
Common stock fund	2,648,884		2,648,884
Total assets at fair value	\$ 62,662,280	\$ 7,272,058	\$ 69,934,338

	Assets at Fair Value as of December 31, 2010		
	Level 1	Level 2	Total
Mutual funds	\$ 62,364,735	\$	\$ 62,364,735
Common/collective trusts		5,461,967	5,461,967
Common stock fund	3,442,332		3,442,332
Total assets at fair value	\$ 65,807,067	\$ 5,461,967	\$ 71,269,034

Table of Contents

Individual Account Retirement Plan of Park-Ohio

Industries, Inc. and its Subsidiaries

Notes to Financial Statements (continued)

7. Benefits

A participant is entitled to receive the full value of his or her account upon (1) normal retirement at age 65; (2) attainment of at least age 55 and 10 years of service; (3) death, or total and permanent disability as determined by the plan administrator upon the basis of competent medical opinion, or (4) termination of employment after six years of credited service. Such benefits may be paid in a lump sum cash payment, an elective installment option or an elective annuity option.

In the event of termination of employment, a participant has a vested right in the participant's share of the Company's contributions determined as follows:

Credited Vesting Service	Vested Percentage
Less than 2 years	0%
At least 2 years but less than 3 years	20%
At least 3 years but less than 4 years	40%
At least 4 years but less than 5 years	60%
At least 5 years but less than 6 years	80%
6 years or more	100%

The portion of the Company's contributions that are not vested in such terminated participants will generally be forfeited and may be used to reduce the Company's future contributions to the Plan. The total of forfeited contributions by participants of the Plan was \$1,436.

A participant may withdraw in cash a portion of the participant's contributions subject to certain limitations and restrictions. The hardship withdrawal may be used to purchase a principal residence, avoid foreclosure on a mortgage or eviction, or pay bona fide medical, education, funeral or repair of residence expenditures.

Table of Contents

Individual Account Retirement Plan of Park-Ohio

Industries, Inc. and its Subsidiaries

Notes to Financial Statements (continued)

8. Related-Party Transactions

Certain plan investments are mutual funds or common collective trust funds managed by the Plan Trustee. Therefore, these transactions qualify as party in interest. Fees paid by the Plan for the investment management and trustee services amounted to \$60,620 and \$95,557 for the years ended December 31, 2011 and 2010, respectively.

At December 31, 2011 and 2010, the Plan held 326,619 and 363,499 units of Park-Ohio Holdings Corp. common stock fund with a fair value of \$2,648,884 and \$3,442,332, respectively.

9. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated May 11, 2009, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualified status. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes the Plan, is qualified and the related trust is tax exempt.

Accounting principles generally accepted in the United States require plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2011, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

10. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market volatility and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Table of Contents

Supplemental Schedule

Table of Contents

Individual Account Retirement Plan of Park-Ohio

Industries, Inc. and its Subsidiaries

EIN #34-6520107 Plan #011

Schedule H, Line 4i Schedule of Assets

(Held at End of Year)

December 31, 2011

Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment	Current Value
Common Stock Fund		
Park-Ohio Holdings Corp.*	326,619 shares of Park-Ohio Stock Fund	\$ 2,648,884
Mutual Funds		
Schwab Value Advantage Fund*	13,823,220 shares	13,823,220
Calamos Growth A	61,144 shares	2,836,468
Europacific Growth R4	43,181 shares	1,491,920
Growth Fund of America R4	208,194 shares	5,937,681
Jensen Quality Growth J	46,158 shares	1,223,659
Lord Abbett Mid Cap Value A	119,283 shares	1,881,100
Oakmark Equity Income	277,432 shares	7,504,536
JP Morgan Core Bond Fund Sel	713,945 shares	8,445,970
Schwab S&P 500 Index Fund*	100,769 shares	1,972,040
Neuberger Berman Genesis Trust	76,742 shares	3,698,965
Templeton World A	236,158 shares	3,244,815
Victory Value A	591,535 shares	5,808,877
Amer Funds Washington Mutual R4	44,075 shares	1,247,314
PNC Multi Factor Scap Value I	71,008 shares	896,831
Common/Collective Trusts		
Schwab Managed Retirement 2010 CL II*	43,380 shares	725,743
Schwab Managed Retirement 2020 CL II*	137,297 shares	2,372,486
Schwab Managed Retirement 2030 CL II*	121,423 shares	2,137,036
Schwab Managed Retirement 2040 CL II*	105,057 shares	1,843,749
Schwab Managed Retirement 2050 CL II*	10,875 shares	100,919
Schwab Managed Retirement Income II*	6,870 shares	92,125
Total investments, at fair value		\$ 69,934,338
Participant loans*	Varying maturity dates with interest rates ranging from 3.25% to 9.25%	\$ 1,498,318

* Indicates party in interest to the Plan.