



Mary Taylor, CPA  
Auditor of State



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis – For the Fiscal Years Ended June 30, 2008 and 2007 .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis - June 30, 2008.....	11
Statement of Activities – Cash Basis - For the Fiscal Year Ended June 30, 2008.....	12
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds - June 30, 2008.....	13
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances Cash Basis - Governmental Funds - For the Fiscal Year Ended June 30, 2008.....	14
Statement of Receipts, Disbursements, and Changes in Fund Balance (Budget and Actual) - General Fund - For the Fiscal Year Ended June 30, 2008.....	15
Statement of Fiduciary Net Assets – Cash Basis - Fiduciary Funds - June 30, 2008 .....	16
Statement of Changes in Fiduciary Net Assets – Cash Basis - Fiduciary Fund For the Fiscal Year Ended June 30, 2008 .....	17
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis - June 30, 2007.....	18
Statement of Activities – Cash Basis - For the Fiscal Year Ended June 30, 2007.....	19
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds - June 30, 2007 .....	20
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances Cash Basis - Governmental Funds - For the Fiscal Year Ended June 30, 2007.....	21
Statement of Receipts, Disbursements, and Changes in Fund Balance (Budget and Actual) – General Fund - For the Fiscal Year Ended June 30, 2007.....	22
Statement of Fiduciary Net Assets – Cash Basis - Fiduciary Funds - June 30, 2007 .....	23
Statement of Changes in Fiduciary Net Assets – Cash Basis - Fiduciary Fund - For the Year Ended June 30, 2007 .....	24

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Notes to the Basic Financial Statements – For The Fiscal Years Ended June 30, 2008 and 2007 .....	25
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	47
Schedule of Findings.....	49
Schedule of Prior Audit Findings.....	50



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Parkway Local School District, Mercer County, (the School District), as of and for the fiscal years ended June 30, 2008 and 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Parkway Local School District, Mercer County, as of June 30, 2008 and 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

April 7, 2009

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
UNAUDITED**

The discussion and analysis of the Parkway Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal years ended June 30, 2008 and 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and accountants' compilation report to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- General Receipts accounted for \$9,280,546 in receipts or 78% of all receipts. Program specific receipts in the form of charges for services and sales, operating grants and contributions and interest, capital grants and contributions and interest accounted for \$2,670,332 or 22% of total receipts of \$11,950,878.
- Total program disbursements were \$11,928,575, all of which were in governmental activities.
- In total, net assets increased \$22,303

Key financial highlights for 2007 are as follows:

- General Receipts accounted for \$9,401,752 in receipts or 79% of all receipts. Program specific receipts in the form of charges for services and sales, operating grants and contributions and interest, capital grants and contributions and interest accounted for \$2,521,074 or 21% of total receipts of \$11,922,826.
- Total program disbursements were \$13,431,595, all of which were in governmental activities.
- In total, net assets decreased \$1,508,769.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets and Statement of Activities* provide information about the cash activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major governmental funds presented in total in one column. In the case of the Parkway Local School District, the General Fund and Classroom Facilities Funds are the most significant funds.

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

**Basis of Accounting**

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

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
UNAUDITED  
(Continued)**

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

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

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

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

In the Statement of Net Assets and the Statement of Activities, the School District only has governmental activities. The School District's basic services are reported here, including instructional and support services, extracurricular activities, and maintenance and construction. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 6. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the General Fund and the Classroom Facilities Fund.

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

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



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as private purpose trusts. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 16, 17, 23, and 24. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for 2008, 2007, and 2006 comparatively:

**(Table 1)**  
**Net Assets – Cash basis**

	<b>Governmental Activities</b>		<b>2006</b>
	<b>2008</b>	<b>2007</b>	
<b>Assets:</b>			
Equity in Pooled Cash & Cash Equivalents	\$5,478,658	\$5,366,519	\$6,473,939
Investments			570,026
Cash & Cash Equivalents	78,841	75,794	
Cash & Cash Equivalents with Escrow Agent		92,883	
<b>Total Assets</b>	<b><u>5,557,499</u></b>	<b><u>5,535,196</u></b>	<b><u>7,043,965</u></b>
<b>Net Assets:</b>			
<b>Restricted:</b>			
Capital Projects	1,576,546	1,728,922	3,283,664
Debt Service	201,348	207,838	215,243
Other Purposes	380,876	375,207	278,140
Unrestricted	3,398,729	3,223,229	3,266,918
<b>Total Net Assets</b>	<b><u>\$5,557,499</u></b>	<b><u>\$5,535,196</u></b>	<b><u>\$7,043,965</u></b>

Net assets of the governmental activities increased \$22,303 in fiscal year 2008, which represents a .4% increase over the fiscal year 2007 balance. The increase is primarily the result of a reduction in spending monies on capital outlays in the current year.

Net assets of the governmental activities decreased in fiscal year 2007 by \$1,508,769, which represents a 21% decrease over the fiscal year 2006 balance. The decrease is the result of spending monies on capital outlays in the current year that were received through grants in prior years.

During the both fiscal years, capital grants decreased significantly due to the completion of the OSFC Building Project.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
UNAUDITED  
(Continued)**

Table 2 shows the changes in net assets for fiscal years 2008, 2007, and 2006. This enables the reader to draw further conclusions about the District's financial status and possibly project future problems.

**(Table 2)  
Governmental Activities**

	<b>Governmental Activities</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Program Receipts</b>			
Charges for Services	\$1,042,693	\$ 912,073	\$ 753,389
Operating Grants	1,534,878	1,311,365	1,168,088
Capital Grants	92,761	297,636	1,893,439
<b>General Receipts</b>			
Property Taxes levied for:			
General Purpose	1,837,405	1,870,199	1,873,929
Debt Service	672,929	674,158	655,652
Capital Projects	97,319	98,900	99,310
Classroom Facilities & Maintenance	38,777	39,333	39,676
Payments in Lieu of Taxes	8,000	8,000	8,000
Income Taxes	1,149,213	1,059,793	1,021,361
Grants and Entitlements	5,273,618	5,340,849	5,336,510
Other	203,285	310,520	496,903
Total Receipts	<u>11,950,878</u>	<u>11,922,826</u>	<u>13,346,257</u>
<b>Program Disbursements</b>			
Instruction	6,598,876	6,306,485	5,957,648
Support Services	3,461,712	3,275,625	2,996,944
Operation of Non-Instructional Services	62,740	3,071	10,323
Operation of Food Services	397,962	453,398	339,522
Extracurricular	373,464	333,972	310,451
Capital Outlay	277,010	2,310,783	12,310,844
Repayment of Debt	756,811	748,261	754,361
Total Disbursements	<u>11,928,575</u>	<u>13,431,595</u>	<u>22,680,093</u>
Increase (Decrease) in Net Assets	<u>\$ 22,303</u>	<u>(\$1,318,631)</u>	<u>(\$9,333,836)</u>

**Governmental Activities**

Several receipts sources fund the School District's governmental activities with intergovernmental receipts being the largest contributor. Grants and entitlements generated \$5.2 million in fiscal year 2008 and 5.3 million in fiscal year 2007. Property tax levies, also a large contributor generated over \$2.6 million in fiscal year 2008 and almost 2.7 million in fiscal year 2007. With the combination of property taxes and unrestricted intergovernmental funding 67% of disbursements in governmental activities in fiscal year 2008 and 67% in fiscal year 2007, the School District monitors both of these receipts sources very closely for fluctuations.

Capital outlay disbursements reflect a significant decrease from fiscal year 2006 to 2007 and from fiscal year 2007 to 2008. The large variance reflects the completion of the School Facilities project.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2008, 2007 and 2006. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
UNAUDITED  
(Continued)**

(Table 3)  
**Governmental Activities**

	Total Cost of Service			Net Cost of Service		
	2008	2007	2006	2008	2007	2006
Instruction	\$ 6,598,876	\$ 6,306,485	\$ 5,957,648	\$5,044,459	\$ 4,976,808	\$ 4,667,816
<b>Support Services:</b>						
Pupil and Instructional Staff	755,144	706,728	695,254	712,925	640,566	638,672
Board of Education, Admin.						
Fiscal and Central	1,191,026	1,176,824	1,109,028	1,066,123	1,035,483	1,092,391
Operation and Maintenance						
Of Plant	1,040,343	937,104	774,763	995,785	898,112	774,628
Pupil Transportation	475,199	454,969	417,899	456,225	441,937	385,167
Operation of Non-Instructional						
Services	62,740	3,071	10,323	62,740	3,071	10,323
Operation of Food Services	397,962	453,398	339,522	(130,279)	(39,416)	(20,226)
Extracurricular Activities	373,464	333,972	310,451	180,087	179,520	144,640
Capital Outlay	277,010	2,310,783	12,310,844	208,913	2,026,179	10,417,405
Repayment of Debt	756,811	748,261	754,361	661,265	748,261	754,361
<b>Total</b>	<b>\$11,928,575</b>	<b>\$13,431,595</b>	<b>\$22,680,093</b>	<b>\$9,258,243</b>	<b>\$10,910,521</b>	<b>\$18,865,177</b>

Instruction and student support services comprise 62% of governmental program disbursements for fiscal year 2008 and 52% in fiscal year 2007. Board of education, fiscal, administration and central charges were 10% in fiscal year 2008 and 9% in fiscal year 2007. Pupil transportation and the operation/maintenance of facilities were for 13% of governmental program disbursements in fiscal year 2008 and 10% in fiscal year 2007.

**The School District's Funds**

For fiscal year 2008, the School District had two major governmental funds: the General Fund and the Classroom Facilities Fund. The assets of these funds comprise \$4,698,562, or 85% of the \$5,557,499 in total governmental assets.

For fiscal year 2007, the School District had two major governmental funds: the General Fund and the Classroom Facilities Fund. The assets of these funds comprise \$4,705,192, or 85% of the \$5,535,196 in total governmental assets.

**General Fund** – The General Fund cash balance at June 30, 2008 was \$3,398,729, which represents 61% of total governmental fund cash balances. Receipts and other financing sources of the General Fund comprise \$9,445,369 (79%) of the total \$11,954,324 governmental funds' receipts and other financing sources. General Fund disbursements represented 78% of the total disbursements and other financing uses for the governmental funds. General Fund receipts were more than disbursements by \$161,544.

The General Fund cash balance at June 30, 2007 was \$3,223,229, which represents 58% of total governmental fund cash balances. Receipts and other financing sources of the General Fund comprise \$9,376,900 (79%) of the total \$11,942,407 governmental funds' receipts and other financing sources. General Fund disbursements represented 70% of the total disbursements and other financing uses for the governmental funds. General Fund receipts and other financing sources were less than disbursements by \$43,689, indicating that the General Fund was in a deficit spending situation. The change in the General Fund cash balance was due mainly to large increases in disbursements (mainly instruction and operation and maintenance of plant) with only a slight increase in receipts.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Classroom Facilities Fund** – The Classroom Facilities Fund cash balance at June 30, 2008 was \$1,299,833, which represents 23% of total governmental fund cash balances. Receipts and other financing sources of the Classroom Facilities Fund comprise (less than one percent) of the total \$11,954,324 governmental funds' receipts and other financing sources and 2% of total disbursements and other financing uses.

The Classroom Facilities Fund cash balance at June 30, 2007 was \$1,481,963, which represents 27% of total governmental fund cash balances. The Classroom Facilities Fund receipts and disbursements comprise \$267,180 (2%) of total governmental funds' receipts and other financing sources. Disbursements of \$1,943,953 were 14% of total disbursements and other financing uses. The change in the Classroom Facilities Fund cash balance was due to capital outlay disbursements exceeding the interest from funding.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal years 2008 and 2007, the School District did modify its General Fund budgeted disbursements. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For fiscal year 2008, the General Fund budget basis actual receipts and other financing sources were \$9,445,369; \$157,468 over the final budget estimates of \$9,287,901. Of this increase, most was attributable to an increase in tuition and fees receipts. Budget basis actual disbursements and other financing uses were \$9,405,497; \$627,473 less than the final budgeted estimates of \$10,032,970. The majority of the favorable change in disbursements was due to the School District's efforts to cut instructional costs and operation and maintenance of plant costs.

For fiscal year 2007, the General Fund budget basis actual receipts and other financing sources were \$9,376,900; \$252,779 over the final budget estimates of \$9,124,121. Of this increase, most was attributable to an increase in interest receipts and the proceeds from the sale of capital assets. Budget basis actual disbursements and other financing uses were \$9,473,753; \$457,890 less than the final budgeted estimates of \$9,931,643. The majority of the favorable change in disbursements was due to the School District's efforts to cut instructional costs and operation and maintenance of plant costs.

**Set Asides and Debt Administration**

**Set Aside**

Ohio law requires school districts to set aside a determined amount of certain receipts for capital improvements and an additional same amount for textbooks (see Note 11). For fiscal years 2008 and 2007, this amounted to \$176,474 and \$177,970 for each set aside respectively.

The School District had qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks.

**Debt Administration**

At June 30, 2008, the School District had \$10,616,705 in general obligation bonds outstanding. During fiscal year 2008, \$320,000 of general obligation bonds were retired, while \$305,000 were retired in fiscal year 2007. See Note 7 for additional details.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Current Issues**

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

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

Property taxes for the School District amounts to 15% of total Governmental receipts (excluding the Building Fund and Classroom Facilities) in 2008 and are made up of Real Estate and Tangible Personal Property Taxes. The School District has experienced modest growth in Real Estate Property Tax receipts in recent years. Tangible personal property tax revenue is being phased out by the State of Ohio. All new manufacturing machinery and equipment installed on or after January 1, 2005 is immediately exempt. The State will reimburse schools for the loss for five years, and then gradually phase out the reimbursement. Although personal property receipts are a small percentage of total revenue for the School District, the School District is concerned about the long term effect of the elimination of this tax. The School District's income tax amounts to approximately 10% of total Governmental receipts. The income tax has been a source of growing revenue for the School District.

The Parkway Local School District is primarily dependent on State funding. Funding from the State and other Intergovernmental sources was 57% of total receipts in fiscal year 2008 for Governmental Funds (excluding the Building Fund and Classroom Facilities.)

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

**Contacting the School District's Financial Management**

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

**This page intentionally left blank.**

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2008**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,478,658
Cash and Cash Equivalents	78,841
Total Assets	<u><u>5,557,499</u></u>
<b>Net Assets</b>	
<b>Restricted for:</b>	
Capital Projects	1,576,546
Debt Service	201,348
Other Purposes	380,876
Unrestricted	3,398,729
Total Net Assets	<u><u>\$5,557,499</u></u>

*See accompanying notes to the financial statements.*

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions, and Interest	Capital Grants Contributions, and Interest	Governmental Activities
<b>Governmental Activities:</b>					
Instruction					
Regular	\$4,441,365	\$436,030	\$227,254		(\$3,778,081)
Special	1,909,726		891,133		(1,018,593)
Adult/Continuing	205,771				(205,771)
Other	42,014				(42,014)
<b>Support Services:</b>					
Pupil	287,204		3,117		(284,087)
Instructional Staff	467,940		39,102		(428,838)
Board of Education	25,915				(25,915)
Administration	813,918	101,250	6,774		(705,894)
Fiscal	324,176				(324,176)
Operation and Maintenance of Plant	1,040,343		38,868	\$5,690	(995,785)
Pupil Transportation	475,199			18,974	(456,225)
Central	27,017	8,653	8,226		(10,138)
Operation of Non-Instructional Services	62,740				(62,740)
Operation of Food Services	397,962	303,383	224,858		130,279
Extracurricular Activities	373,464	193,377			(180,087)
Capital Outlay	277,010			68,097	(208,913)
<b>Repayment of Debt:</b>					
Repayment of Principal	320,000		95,546		(224,454)
Repayment of Interest	436,811				(436,811)
Total Governmental Activities	<u>\$11,928,575</u>	<u>\$1,042,693</u>	<u>\$1,534,878</u>	<u>\$92,761</u>	<u>(9,258,243)</u>
<b>General Receipts</b>					
<b>Property Taxes Levied for:</b>					
General Purposes					1,837,405
Debt Service					672,929
Capital Projects					97,319
Classroom Facilities and Maintenance					38,777
Payments in Lieu of Taxes					8,000
Income Tax					1,149,213
Grants and Entitlements not Restricted to Specific Programs					5,273,618
Proceeds on the Sale of Assets					4,004
Interest					190,926
Refund of Prior Year Receipts					0
Miscellaneous					8,355
Total General Receipts					<u>9,280,546</u>
Change in Net Assets					22,303
Net Assets - Beginning of Year					<u>5,535,196</u>
Net Assets - End of Year					<u>\$5,557,499</u>

See accompanying notes to the financial statements.



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,398,729	\$1,284,141	\$795,788	\$5,478,658
Cash and Cash Equivalents		15,692	63,149	78,841
Total Assets	<u>3,398,729</u>	<u>1,299,833</u>	<u>858,937</u>	<u>5,557,499</u>
<b>Fund Balances</b>				
<b>Reserved for:</b>				
Reserved for Encumbrances	135,628		85,217	220,845
<b>Unreserved:</b>				
<b>Undesignated, Reported in:</b>				
General Fund	3,263,101			3,263,101
Special Revenue Funds			319,708	319,708
Debt Service Fund			201,348	201,348
Capital Projects Fund		1,299,833	252,664	1,552,497
Total Fund Balances	<u>\$3,398,729</u>	<u>\$1,299,833</u>	<u>\$858,937</u>	<u>\$5,557,499</u>

*See accompanying notes and accountants' compilation report.*

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>				
Property and Other Local Taxes	\$1,837,405		\$809,025	\$2,646,430
Income Taxes	1,149,213			1,149,213
Intergovernmental	5,844,906	\$12,133	964,369	6,821,408
Interest	190,926	52,680	8,389	251,995
Tuition and Fees	391,151		44,879	436,030
Rent	2,740			2,740
Extracurricular Activities			193,379	193,379
Gifts and Donations	460		18,779	19,239
Customer Sales and Services	5,913		404,632	410,545
Payments in Lieu of Taxes	8,000			8,000
Miscellaneous	2			2
Total Receipts	<u>9,430,716</u>	<u>64,813</u>	<u>2,443,452</u>	<u>11,938,981</u>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,262,044		179,321	4,441,365
Special	1,523,493		386,233	1,909,726
Vocational	205,771			205,771
Other	42,014			42,014
<b>Support Services:</b>				
Pupil	280,709		6,495	287,204
Instructional Staff	402,453		65,487	467,940
Board of Education	25,915			25,915
Administration	687,609		126,309	813,918
Fiscal	302,320		21,856	324,176
Operation and Maintenance of Plant	893,668		146,675	1,040,343
Pupil Transportation	419,993		55,206	475,199
Central	20,248		6,769	27,017
Operation of Non-Instructional Services			62,740	62,740
Operation of Food Services			397,962	397,962
Extracurricular Activities	172,868		200,596	373,464
Capital Outlay	30,067	246,943		277,010
Repayment of Debt				
Principal			320,000	320,000
Interest			436,811	436,811
Total Disbursements	<u>9,269,172</u>	<u>246,943</u>	<u>2,412,460</u>	<u>11,928,575</u>
Excess of Receipts Over/(Under) Disbursements	<u>161,544</u>	<u>(182,130)</u>	<u>30,992</u>	<u>10,406</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In			450	450
Proceeds from Sale of Capital Assets	4,004			4,004
Refund of Prior Year Disbursements	10,649		240	10,889
Transfers-Out	(450)			(450)
Refund of Prior Year Receipts	(247)		(2,749)	(2,996)
Total Other Financing Sources (Uses)	<u>13,956</u>		<u>(2,059)</u>	<u>11,897</u>
Net Change in Fund Balances	175,500	(182,130)	28,933	22,303
Fund Balances - Beginning of Year	<u>3,223,229</u>	<u>1,481,963</u>	<u>830,004</u>	<u>5,535,196</u>
Fund Balances - End of Year	<u>\$3,398,729</u>	<u>\$1,299,833</u>	<u>\$858,937</u>	<u>\$5,557,499</u>

See accompanying notes and accountants' compilation report.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (BUDGET AND ACTUAL)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$1,837,153	\$1,837,153	\$1,837,405	\$252
Income Taxes	1,083,562	1,083,562	1,149,213	65,651
Intergovernmental	5,889,686	5,889,686	5,844,906	(44,780)
Interest	200,000	200,000	190,926	(9,074)
Tuition and Fees	257,000	257,000	391,151	134,151
Rent	2,000	2,000	2,740	740
Gifts and Donations	1,500	1,500	460	(1,040)
Customer Sales and Services	5,000	5,000	5,913	913
Payments in Lieu of Taxes	8,000	8,000	8,000	
Miscellaneous			2	2
Total Receipts	<u>9,283,901</u>	<u>9,283,901</u>	<u>9,430,716</u>	<u>146,815</u>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,328,447	4,550,397	4,313,558	236,839
Special	1,353,892	1,461,242	1,524,693	(63,451)
Vocational Education	191,687	210,987	209,136	1,851
Other	46,221	48,821	42,014	6,807
<b>Support Services:</b>				
Pupil	329,550	334,960	281,016	53,944
Instructional Staff	476,976	499,896	435,671	64,225
Board of Education	47,284	51,804	25,915	25,889
Administration	752,002	756,695	688,417	68,278
Fiscal	287,222	324,562	304,152	20,410
Operation and Maintenance of Plant	990,389	1,053,639	919,680	133,959
Pupil Transportation	476,969	502,167	425,567	76,600
Central	24,423	33,987	32,046	1,941
Extracurricular Activities	171,434	182,434	172,868	9,566
<b>Capital Outlay</b>				
Architecture & Engineering Service		193	193	
Building Acquisition and Construction Services	20,816	20,186	29,874	(9,688)
Total Disbursements	<u>9,497,312</u>	<u>10,031,970</u>	<u>9,404,800</u>	<u>627,170</u>
Excess of Receipts Over (Under) Disbursements	<u>(213,411)</u>	<u>(748,069)</u>	<u>25,916</u>	<u>773,985</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	4,000	4,000	4,004	4
Refund of Prior Year Disbursements	(1,000)		10,649	10,649
Transfers-Out			(450)	(450)
Refund of Prior Year Receipts		(1,000)	(247)	753
Total Other Financing Sources (Uses)	<u>3,000</u>	<u>3,000</u>	<u>13,956</u>	<u>10,956</u>
Net Change in Fund Balances	(210,411)	(745,069)	39,872	784,941
Fund Balances - Beginning of Year	3,170,065	3,170,065	3,170,065	
Prior Year Encumbrances Appropriated	<u>53,164</u>	<u>53,164</u>	<u>53,164</u>	
Fund Balances - End of Year	<u>\$3,012,818</u>	<u>\$2,478,160</u>	<u>\$3,263,101</u>	<u>\$784,941</u>

See accompanying notes financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2008**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$36,552	\$40,822
Cash and Cash Equivalents in Segregated Accounts		8,913
Total Assets	36,552	49,735
<b>Net Assets</b>		
<b>Held in Trust for:</b>		
Scholarships	34,904	
Employees		8,913
Students	1,648	40,822
Total Net Assets	\$36,552	\$49,735

*See accompanying notes financial statements.*

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS - FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Gifts and Contributions	\$10,560
Interest	3,625
Miscellaneous	2,630
Total Additions	<u>16,815</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>16,773</u>
Total Deductions	<u>16,773</u>
Change in Net Assets	42
Net Assets - Beginning of Year	<u>36,510</u>
Net Assets - End of Year	<u><u>\$36,552</u></u>

*See accompanying notes financial statements.*

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2007**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,366,519
Cash and Cash Equivalents	75,794
Cash and Cash Equivalents with Escrow Agent	92,883
Total Assets	<u><u>5,535,196</u></u>
 <b>Net Assets</b>	
<b>Restricted for:</b>	
Capital Projects	1,728,922
Debt Service	207,838
Other Purposes	375,207
Unrestricted	3,223,229
Total Net Assets	<u><u>\$5,535,196</u></u>

*See accompanying notes to the financial statements.*

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Cash</u>	<u>Program Cash Receipts</u>		<u>Capital Grants</u>	<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Assets</u>
		<u>Disbursements</u>	<u>Charges for</u> <u>Services and Sales</u>		
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$4,383,430	\$328,756	\$152,885		(\$3,901,789)
Special	1,649,770		848,036		(801,734)
Adult/Continuing	230,490				(230,490)
Other	42,795				(42,795)
<b>Support Services:</b>					
Pupil	220,323	2,000	2,446		(215,877)
Instructional Staff	486,405	12,000	49,716		(424,689)
Board of Education	38,497				(38,497)
Administration	812,071	117,247	9,500		(685,324)
Fiscal	299,488		961		(298,527)
Operation and Maintenance of Plant	937,104	2,250	36,742		(898,112)
Pupil Transportation	454,969			\$13,032	(441,937)
Central	26,768	8,633	5,000		(13,135)
Operation of Non-Instructional Services	3,071				(3,071)
Operation of Food Services	453,398	286,735	206,079		39,416
Extracurricular Activities	333,972	154,452			(179,520)
Capital Outlay	2,310,783			284,604	(2,026,179)
Repayment of Debt					
Repayment of Principal	305,000				(305,000)
Repayment of Interest	443,261				(443,261)
<b>Total Governmental Activities</b>	<u>\$13,431,595</u>	<u>\$912,073</u>	<u>\$1,311,365</u>	<u>\$297,636</u>	<u>(10,910,521)</u>
<b>General Receipts</b>					
<b>Property Taxes Levied for:</b>					
					1,870,199
					674,158
					98,900
					39,333
					8,000
					1,059,793
					5,340,849
					69,471
					241,049
					<u>9,401,752</u>
					Change in Net Assets (1,508,769)
					Net Assets - Beginning of Year <u>7,043,965</u>
					Net Assets - End of Year <u>\$5,535,196</u>

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
JUNE 30, 2007**

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,223,229	\$97,835	\$748,244	\$4,069,308
Cash and Cash Equivalents		1,291,245	81,760	1,373,005
Restricted Cash				
Cash and Cash Equivalents with Escrow Agent		92,883		92,883
Total Assets	<u>3,223,229</u>	<u>1,481,963</u>	<u>830,004</u>	<u>5,535,196</u>
<b>Fund Balances</b>				
<b>Reserved for:</b>				
Reserved for Encumbrances	53,164	263,911	75,755	392,830
Reserved for Retainage		92,883		92,883
<b>Unreserved:</b>				
<b>Undesignated, Reported in:</b>				
General Fund	3,170,065			3,170,065
Special Revenue Funds			299,452	299,452
Debt Service Funds			207,838	207,838
Capital Projects Funds		1,125,169	246,959	1,372,128
Total Fund Balances	<u>\$3,223,229</u>	<u>\$1,481,963</u>	<u>\$830,004</u>	<u>\$5,535,196</u>

*See accompanying notes and accountants' compilation report.*



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS -  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b>General Fund</b>	<b>Classroom Facilities Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts</b>				
Property and Other Local Taxes	\$1,870,198		\$812,391	\$2,682,589
Income Taxes	1,059,793			1,059,793
Intergovernmental	5,819,746	\$190,138	851,034	6,860,918
Interest	241,049	77,042	7,524	325,615
Tuition and Fees	300,205		42,552	342,757
Rent	2,548			2,548
Extracurricular Activities			154,454	154,454
Gifts and Donations	1,655		15,950	17,605
Customer Sales and Services	6,085		403,981	410,066
Miscellaneous	3,020		2,251	5,271
<b>Total Receipts</b>	<b>9,304,299</b>	<b>267,180</b>	<b>2,290,137</b>	<b>11,861,616</b>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,276,301		107,129	4,383,430
Special	1,281,744		368,026	1,649,770
Vocational	230,490			230,490
Other	42,795			42,795
<b>Support Services:</b>				
Pupil	217,445		2,878	220,323
Instructional Staff	450,700		35,705	486,405
Board of Education	38,497			38,497
Administration	688,959		123,112	812,071
Fiscal	281,889		17,599	299,488
Operation and Maintenance of Plant	902,468		34,636	937,104
Pupil Transportation	454,969			454,969
Central	21,768		5,000	26,768
Operation of Non-Instructional Services	3,071			3,071
Operation of Food Services			453,398	453,398
Extracurricular Activities	162,663		171,309	333,972
Capital Outlay	366,830	1,943,953		2,310,783
Repayment of Debt				
Principal			305,000	305,000
Interest			443,261	443,261
<b>Total Disbursements</b>	<b>9,420,589</b>	<b>1,943,953</b>	<b>2,067,053</b>	<b>13,431,595</b>
Excess of Receipts Over/(Under) Disbursements	(116,290)	(1,676,773)	223,084	(1,569,979)
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	69,471			69,471
Refund of Prior Year Disbursements	3,130		8,190	11,320
Refund of Prior Year Receipts			(19,581)	(19,581)
<b>Total Other Financing Sources (Uses)</b>	<b>72,601</b>		<b>(11,391)</b>	<b>61,210</b>
Net Change in Fund Balances	(43,689)	(1,676,773)	211,693	(1,508,769)
Fund Balances - Beginning of Year	3,266,918	3,158,736	618,311	7,043,965
Fund Balances - End of Year	<b>\$3,223,229</b>	<b>\$1,481,963</b>	<b>\$830,004</b>	<b>\$5,535,196</b>

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (BUDGET AND ACTUAL)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<b>Variance with Final Budget</b>
<b>Receipts</b>				
Property and Other Local Taxes	\$1,835,445	\$1,835,445	\$1,870,198	\$34,753
Income Taxes	1,052,002	1,052,002	1,059,793	7,791
Intergovernmental	5,805,474	5,805,474	5,819,746	14,272
Interest	150,000	150,000	241,049	91,049
Tuition and Fees	267,500	267,500	300,205	32,705
Rent			2,548	2,548
Gifts and Donations	2,500	2,500	1,655	(845)
Customer Sales and Services	1,200	1,200	6,085	4,885
Miscellaneous			3,020	3,020
Total Receipts	<u>9,114,121</u>	<u>9,114,121</u>	<u>9,304,299</u>	<u>190,178</u>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,323,402	4,386,402	4,279,732	106,670
Special	1,245,752	1,324,752	1,282,346	42,406
Vocational Education	243,825	259,825	231,643	28,182
Other	51,397	51,397	42,795	8,602
<b>Support Services:</b>				
Pupil	250,506	235,506	217,741	17,765
Instructional Staff	487,635	483,635	463,451	20,184
Board of Education	28,509	42,509	38,497	4,012
Administration	698,791	720,657	689,725	30,932
Fiscal	325,047	320,147	284,504	35,643
Operation and Maintenance of Plant	981,076	1,000,476	903,365	97,111
Pupil Transportation	339,812	497,417	455,734	41,683
Central	8,645	22,545	21,768	777
Operation of Non-Instructional Services	6,000	3,100	3,070	30
Extracurricular Activities	170,007	170,007	162,663	7,344
Capital Outlay	396,335	396,335	396,719	(384)
Total Disbursements	<u>9,556,739</u>	<u>9,914,710</u>	<u>9,473,753</u>	<u>440,957</u>
Excess of Receipts (Under) Disbursements	<u>(442,618)</u>	<u>(800,589)</u>	<u>(169,454)</u>	<u>631,135</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	10,000	10,000	69,471	59,471
Refund of Prior Year Disbursements			3,130	3,130
Transfers-Out	(9,012)	(9,012)		9,012
Advances-Out	(7,671)	(7,671)		7,671
Refund of Prior Year Receipts	(250)	(250)		250
Total Other Financing Sources (Uses)	<u>(6,933)</u>	<u>(6,933)</u>	<u>72,601</u>	<u>79,534</u>
Net Change in Fund Balances	(449,551)	(807,522)	(96,853)	710,669
Fund Balances - Beginning of Year	3,214,095	3,214,095	3,214,095	
Prior Year Encumbrances Appropriated	<u>52,823</u>	<u>52,823</u>	<u>52,823</u>	
Fund Balances - End of Year	<u>\$2,817,367</u>	<u>\$2,459,396</u>	<u>\$3,170,065</u>	<u>\$710,669</u>

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2007**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$36,510	\$44,837
Cash and Cash Equivalents in Segregated Accounts		7,481
Total Assets	36,510	52,318
<b>Net Assets</b>		
Restricted for Other Purposes	4,994	
<b>Held in Trust for:</b>		
Scholarships	31,516	
Employees		7,481
Students		44,837
Total Net Assets	\$36,510	\$52,318

*See accompanying notes and accountants' compilation report.*

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Gifts and Contributions	\$11,103
Interest	1,640
Miscellaneous	5,228
Total Additions	<u>17,971</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	16,726
Total Deductions	<u>16,726</u>
Change in Net Assets	1,245
Net Assets - Beginning of Year	<u>35,265</u>
Net Assets - End of Year	<u><u>\$36,510</u></u>

*See accompanying notes to the financial statements.*

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Parkway Local School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1960 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred eighty-two square miles. It is located in Auglaize, Mercer, and Van Wert Counties, and includes all of the Villages of Mendon, Rockford, and Willshire, as well as the Townships of Blackcreek, Dublin, Hopewell, Liberty, Union, and Willshire. For fiscal year 2008, the School District is staffed by forty-six classified employees, eighty-two certified teaching personnel who provide services to 1,047 students and other community members.

The reporting entity is comprised of the primary government and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Parkway Local School District, this includes general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Parkway Local School District.

The School District participates in six jointly governed organizations and three insurance pools, and is associated with a related organization. These organizations are the Mercer County Local Professional Development Committee, Northwest Ohio Area Computer Services Cooperative, Vantage Career Center, the West Central Regional Professional Development Center, the Northwestern Ohio Educational Research Council, Inc., the Ohio School Plan, the Mercer Auglaize Employee Benefit Trust, Ohio School Boards Association Workers' Compensation Group Rating Plan and the Rockford Carnegie Public Library. These organizations are presented in Notes 12, 13, and 14 to the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.A., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and government-wide statements versus budgetary disbursements are due to encumbrances outstanding at the beginning and end of the fiscal year.

These statements include required disclosures of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Basis of Presentation - Fund Accounting**

**1. Government-Wide Financial Statements**

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the School District's governmental activities of the School District. Direct disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the School District with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

**2. Fund Financial Statements**

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The focus of the governmental activity financial statement is on major funds. Each major fund is presented in a single column. Fiduciary funds are reported by type.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its receipts and disbursements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**3. Governmental Funds/Governmental Activities**

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

**General Fund** - The General Fund is the primary operating fund of the School District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**Classroom Facilities Fund** - This fund accounts for the specific receipts and disbursements for the Classroom Facilities project.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**4. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include private purpose trust and agency funds. The School District's private purpose trust funds account for endowments and scholarships for students as well as trusts for various other purposes such as alumni and special needs children. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities and a flex account for staff.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The legal level of budgetary control established by the Board is at the two digit function level for the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds, are made by the Treasurer.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**1. Tax Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected receipt of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipt are identified by the School District Treasurer.

**3. Appropriations**

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the fund level of disbursements, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Encumbrances**

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

**5. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents and Investments**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District accounting records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". Cash and cash equivalents belonging to individual funds and not part of the pool are recorded as "Cash and Cash Equivalents".

Cash and cash equivalents that are held separately for the funds retained from construction contracts are recorded as "Cash and Cash Equivalents with Escrow Agent".

For purposes of financial reporting, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased with pooled cash are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2008, the School District invested in nonnegotiable certificates of deposits and STAR Ohio.. During 2007, the School District invested in nonnegotiable certificates of deposits, money market mutual funds, STAR Ohio and repurchase agreements. STAR Ohio investments are recorded by the funds at fair market value and the other investments are recorded at cost. Investment earnings are allocated as authorized by State statute based upon School District policy.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2008 were \$190,926 which includes \$74,164 assigned from other School District Funds. Interest receipts credited to the General Fund during fiscal year 2007 were \$241,049 which includes \$100,682 assigned from other School District Funds.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded on these capital assets.

**F. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting as presented here by the School District.

**G. Long-Term Debt**

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities on the cash basis financial statements. The debt proceeds are reported as receipts when received and payment of principal and interest are reported as disbursements when paid.

**H. Intergovernmental Receipts**

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

**I. Inventory and Prepaid Items**

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

**J. Interfund Transactions**

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

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Equity Classifications**

**1. Government-Wide Statements**

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

- a. Restricted net assets** – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net assets restricted for other purposes include resources restricted for grants and food service operations. As of June 30, 2008 and 2007, the School District did not have any net assets restricted by enabling legislation.
- b. Unrestricted net assets** – All other net assets that do not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**2. Fund Financial Statements**

Governmental fund equity is classified as fund balance. The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances.

**M. Receipts and Disbursements**

**1. Program Receipts**

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District’s taxpayers are reported as program receipts. The School District has the following program receipts: charges for service, operating and capital grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as a general receipt even if restricted for a specific purpose.

**2. Operating Receipts and Disbursements**

Operating receipts and disbursements for governmental funds result from providing services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE**

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports which are prepared using generally accepted accounting principles. For fiscal years 2008 and 2007, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

As of June 30, 2008 and 2007, the School District had \$710 in un-deposited cash on hand which is included in the fund balance.

**A. Deposits**

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

At June 30, 2008, the carrying amount of the School District's deposits was \$5,226,882 and the bank balance was \$5,379,829. Of the bank balance, \$214,064 was covered by federal depository insurance and \$5,165,765 was uninsured but collateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

At June 30, 2007, the carrying amount of the School District's deposits was \$3,925,992 and the bank balance was \$4,055,144. Of the bank balance, \$222,544 was covered by federal depository insurance and \$3,832,600 was uninsured but collateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**B. Investments**

Investments are reported at fair value. As of June 30, 2008, the School District's investments were as follows:

	<b>Value as of June 30, 2008</b>	<b>% of Investment Total</b>	<b>Maturities</b>
STAR Ohio	\$ 416,194	100.00%	Available on demand
	<b>Value as of June 30, 2007</b>	<b>% of Investment Total</b>	<b>Maturities</b>
STAR Ohio	\$ 400,117	23.57%	Available on demand
Fifth Third Money Market Mutual Funds	1,297,205	76.43%	Available on demand
Total	\$1,697,322	100.00%	

**C. Interest Rate Risk**

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations.

**D. Credit Risk**

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

Of the School District's investments, STAR Ohio and the Fifth Third Money Market Mutual Funds carry a rating of AAA by Standard and Poor's.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**E. Concentration Risk**

The School District places no limit on the amount the School District may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. At June 30, 2008, 100% of the School District's investments are in STAR Ohio. At June 30, 2007, more than 5 percent of the School District's investments are in mutual funds and STAR Ohio. These investments are 76.43% and 23.57%, respectively, of the School District's total investments for the amounts listed above.

**5. PROPERTY TAXES**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years through 2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of the prior December 31. For 2007, tangible personal property is assessed at 12.5% for property. This percentage will be reduced to 6.25% for 2008 and zero for 2009.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The School District receives property taxes from Mercer, Auglaize and Van Wert Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008 and 2007 are available to finance fiscal year 2008 and 2007 operations respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**5. PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2008 taxes were collected are:

	<b>2007 Second-Half Collections</b>		<b>2008 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$80,619,830	85.67%	\$81,339,500	87.24%
Industrial/Commercial	5,682,650	6.03	5,540,060	5.94
Public Utility	4,149,290	4.41	3,002,990	3.22
Tangible Personal Property	3,657,455	3.89	3,357,465	3.60
Total Assessed Value	<u>\$94,109,225</u>	<u>100.00%</u>	<u>\$93,240,015</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.47		\$44.42	

The assessed values upon which fiscal year 2007 taxes were collected are:

	<b>2006 Second-Half Collections</b>		<b>2007 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and other Real Estate	\$80,027,680	85.53%	\$80,619,830	85.67%
Industrial/Commercial	5,893,670	6.30	5,682,650	6.03
Public Utility	4,203,470	4.49	4,149,290	4.41
Tangible Personal Property	3,447,399	3.68	3,657,455	3.89
Total Assessed Value	<u>\$93,572,219</u>	<u>100.00%</u>	<u>\$94,109,225</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.37		\$40.47	

**6. INCOME TAXES**

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. On May 3, 2005, this tax was renewed effective January 1, 2006. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

**7. DEBT OBLIGATIONS**

The changes in the School District's debt obligations during fiscal year 2008 are as follows:

	<b>Interest Rates</b>	<b>Balance at 06/30/07</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 06/30/08</b>	<b>Due Within One Year</b>
General Obligation Bonds						
2003 Various Purpose						
Serial and Term	1.5 – 4.625%	\$10,535,000		\$320,000	\$10,215,000	\$325,000
Capital Appreciation	4.000%	214,999			214,999	
Bond Accretion		141,344	\$45,362		186,706	
Total General Obligation Debt		<u>\$10,891,343</u>	<u>\$45,362</u>	<u>\$320,000</u>	<u>\$10,616,705</u>	<u>\$325,000</u>



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**7. DEBT OBLIGATIONS (Continued)**

The changes in the School District's debt obligations during fiscal year 2007 are as follows:

	<u>Interest Rates</u>	<u>Balance at 06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/07</u>	<u>Due Within One Year</u>
General Obligation Bonds						
2003 Various Purpose						
Serial and Term	1.5 – 4.625%	\$10,840,000		\$305,000	\$10,535,000	\$320,000
Capital Appreciation	4.000%	214,999			214,999	
Bond Accretion		101,104	\$40,240		141,344	
<b>Total General Obligation Debt</b>		<u>\$11,156,103</u>	<u>\$40,240</u>	<u>\$305,000</u>	<u>\$10,891,343</u>	<u>\$320,000</u>

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

The Current Interest Bonds (term and serial bonds) maturing on December 1, 2014 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after December 1, 2013 at par, which is 100% of the face value of the Current Interest Bonds.

The term bonds maturing on December 1, 2027 (\$2,900,000), are subject to mandatory sinking fund redemption. The mandatory redemption is to occur on December 1, in each of the years 2023 through 2026 (with the balance of \$630,000 to be paid at stated maturity on December 1, 2027) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2030 (\$2,080,000), are subject to mandatory sinking fund redemption. The mandatory redemption is to occur on December 1, in each of the years 2028 through 2029 (with the balance of \$725,000 to be paid at stated maturity on December 1, 2030) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

Serial bonds will mature in various principal amounts with varying interest rates starting on December 1, 2003 and on each December 1 thereafter at 100% of the principal amount for the years 2003 thru 2011 and 2014 thru 2022.

The capital appreciation bonds will mature in fiscal years 2013 and 2014. The maturity amounts of the bonds are \$365,000 for fiscal year 2013 and \$365,000 for fiscal year 2014. Capital appreciation bonds are not subject to redemption prior to maturity.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2008, were as follows:

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**7. DEBT OBLIGATIONS (Continued)**

Fiscal Year Ending June 30	Serial and Term Bonds	Capital Appreciation Bonds	Interest/ Accretion	Total
2009	\$ 325,000		\$ 429,349	\$ 754,349
2010	335,000		420,261	755,261
2011	345,000		409,630	754,630
2012	355,000		524,567	879,567
2013		\$113,932	650,543	764,475
2014 – 2018	1,550,000	101,067	1,975,118	3,626,185
2019 – 2023	2,325,000		1,415,525	3,740,525
2024 – 2028	2,900,000		827,875	3,727,875
2029 – 2031	2,080,000		147,306	2,227,306
	<u>\$10,215,000</u>	<u>\$214,999</u>	<u>\$6,800,174</u>	<u>\$17,230,173</u>

**8. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal years 2008 and 2007, the School District contracted for the following insurance coverage.

Coverage provided by Indiana Insurance is as follows:

Buildings and Contents - replacement cost (\$1,000 deductible) - FY 08	\$33,593,247
Buildings and Contents - replacement cost (\$1,000 deductible) - FY 07	\$31,571,891
Commercial Coverage (Computers and other Equipment) – FY 08	215,000
Commercial Coverage (Computers and other Equipment) – FY 07	195,000

Coverage provided by Ohio School Plan is as follows:

Vehicle Liability	3,000,000
General Liability	
Each Incident	1,000,000
Per Aggregate	3,000,000
Excess Liability	
Each Incident	2,000,000
Per Aggregate	2,000,000

**B. Ohio School Plan**

The school belongs to the Ohio School Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools (Members).

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

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

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65% and is less than 80% does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$2,646,185	\$1,730,236
Liabilities	1,621,941	941,026
Members' Equity	<u>\$1,024,244</u>	<u>\$ 789,210</u>

The complete audited financial statements for The Ohio School Plan can be found at the Plan's website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org).

Settled claims have not exceeded the commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

**C. Workers' Compensation**

For fiscal years 2008 and 2007, the School District's Workers' Compensation managed care organization is contracted with Ohio School Boards Association Workers' Compensation Group Rating Plan. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria.

**D. Health Care Benefits**

The School District participates in the Mercer Auglaize Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical, dental and vision insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

**Plan Description** - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$100,350, \$110,625 and \$109,391 respectively; 46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

**Plan Description** - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

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

**Funding Policy** - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$546,420, \$544,537, and \$526,414 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$53 made by the School District and \$16 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, no members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**10. POST-EMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

**Plan Description** – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$21,287.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**10. POST-EMPLOYMENT BENEFITS (Continued)**

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$45,573, \$46,279, and \$45,944 respectively; 46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$7,230, \$6,836, and \$6,824 respectively; 46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions.

For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$42,032, \$41,887, and \$40,493 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**11. STATUTORY RESERVES**

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

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital acquisition. State statute requires disclosing this information. For fiscal year ended June 30, 2008, the reserve activity was as follows:

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**11. STATUTORY RESERVES (Continued)**

	<b>Textbook Reserve</b>	<b>Capital Maintenance Reserve</b>
Carryover Balance, June 30, 2007	(\$389,896)	
Required Set-Aside	177,970	\$ 177,970
Qualifying Disbursements	(233,261)	(233,092)
Prior Year Offsets Carried Forward		(11,735,097)
Current Year Offsets		(38,776)
Balance June 30, 2008	(445,187)	(11,828,995)
Balance Carried Forward to FY09	(\$445,187)	
Offset Carried Forward to FY09		(\$11,735,097)

For fiscal year ended June 30, 2007, the reserve activity was as follows:

	<b>Textbook Reserve</b>	<b>Capital Maintenance Reserve</b>
Carryover Balance, June 30, 2006	(\$283,621)	
Required Set-Aside	176,474	\$ 176,474
Qualifying Disbursements	(282,749)	(473,119)
Prior Year Offsets Carried Forward		(11,735,097)
Current Year Offsets		(39,333)
Balance June 30, 2007	(389,896)	(12,071,075)
Balance Carried Forward to FY08	(\$389,896)	
Offset Carried Forward to FY08		(\$11,735,097)

The School District had authorized offsets and qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set-aside requirement in future fiscal years. For capital maintenance, only the extra amount which was a result of capital disbursements from bond proceeds may be used to reduce the set-aside requirements in future years.

**12. JOINTLY GOVERNED ORGANIZATIONS**

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

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Northwest Ohio Area Computer Services Cooperative (NOACSC)** - The School District is a participant in NOACSC which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties and Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal years 2008 and 2007, the School District paid \$13,116 and \$31,480 respectively. Financial information can be obtained from Northwest Ohio Area Computer Services Cooperative 645 South Main Street, Lima, Ohio 45804.

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

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

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

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

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



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**13. GROUP PURCHASING POOLS**

**A. Ohio School Plan**

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

**B. Mercer Auglaize Employee Benefit Trust**

The Mercer Auglaize Employee Benefit Trust (Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, prescription drug, and dental benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler; Schmidt, Long, and Associates, Inc., 4159 Holland-Sylvania Road, Suite 103, Toledo, Ohio 43623.

**C. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Ohio School Boards Association (OSBA) as a group insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, President-Elect, and Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

**14. RELATED ORGANIZATION**

**Rockford Carnegie Public Library**

The Rockford Carnegie Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The library is governed by a Board of Trustees appointed by the Parkway Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Rockford Carnegie Public Library, Robert Maurer, Clerk/Treasurer, 162 South Main Street, Rockford, Ohio 45882.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007  
(Continued)**

**15. CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Parkway Local School District, Mercer County, (the School District), as of and for the fiscal years ended June 30, 2008 and June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 7, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Government's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the School District's management in a separate letter dated April 7, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated April 7, 2009.

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

We intend this report solely for the information and use of the management and Board of Education. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 7, 2009

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2008-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Adm. Code Section 117-2-03(B)** requires the School District to file annual financial reports which are prepared using generally accepted accounting principles. For fiscal years 2008 and 2007, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the School District should prepare its financial statements according to generally accepted accounting principles.

**OFFICIAL'S RESPONSE**

The School District has taken the position that due to limited financial resources, the School District will not go to the expense of preparing and auditing financial statements in accordance with generally accepted accounting principles (GAAP statements). The cost savings of not preparing GAAP financial reports will be used to help fund educational programs. The School District also feels that there are sufficient other records and reports, such as the other comprehensive basis of accounting (OCBOA) reports prepared for fiscal 2008 and 2007 and the Five Year Forecast, to guide the Board and Administration in evaluating the School District's financial status.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2008 AND JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	ORC 117.38 and OAC 117-2-03 (B) – Preparation and filing of cash basis annual financial report.	No	Repeated as finding 2008-001



**Mary Taylor, CPA**  
Auditor of State

**PARKWAY LOCAL SCHOOL DISTRICT**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 7, 2009**