



Mary Taylor, CPA  
Auditor of State



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Parkway Local School District  
Mercer County  
300 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 Parkway Local School District, Mercer County, Ohio (the District), as of and for the years ended June 30, 2010 and 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 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 Parkway Local School District, Mercer County, Ohio, as of June 30, 2010 and 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year 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 October 15, 2010, on our consideration of the 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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures for the year ended June 30, 2010, is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 15, 2010

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(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 year ended June 30, 2010. 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 accountant's compilation report to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- General Receipts accounted for \$9,979,360 in receipts or 82% of all receipts. Program specific receipts in the form of charges for services and sales, operating grants, capital grants and contributions and interest accounted for \$2,122,759 or 18% of total receipts of \$12,102,119.
- Total program disbursements were \$12,065,391, all of which were in governmental activities.
- In total, net assets increased \$36,728.

**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 Parkway Local 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.

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.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

**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 fiscal year 2010?" 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 7. 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** - Most 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.

**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 14 and 15. 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.



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for 2010 and 2009 comparatively:

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

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
<b>Assets:</b>		
Cash & cash equivalents	\$ 5,570,590	\$ 5,533,955
Cash & cash equivalents in Segregated Accounts	79,939	79,846
Total Assets	<u>\$ 5,650,529</u>	<u>\$ 5,613,801</u>
<b>Net Assets:</b>		
<b>Restricted:</b>		
Capital Projects	\$ 1,443,536	\$ 1,489,867
Debt Service	439,838	266,632
Other Purposes	423,125	381,109
Unrestricted	3,344,030	3,476,193
Total Net Assets	<u>\$ 5,650,529</u>	<u>\$ 5,613,801</u>

Net assets of the governmental activities increased \$36,728, which represents approximately a 1% increase over the fiscal year 2009 balance. The increase is the result of additional federal grants being received in the current year.

Table 2 shows the changes in net assets for fiscal years 2010 and 2009. 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>2010</b>	<b>2009</b>
<b>Program Receipts:</b>		
Charges for Services	\$1,018,549	\$ 985,410
Operating Grants	1,071,153	1,464,142
Capital Grants	33,057	38,813
<b>General Receipts:</b>		
<b>Property Taxes levied for:</b>		
General Purpose	1,928,175	1,875,303
Debt Service	774,809	711,399
Capital Projects	94,637	95,066
Classroom Facilities & Maintenance	26,737	49,449
Payments in Lieu of Taxes	2,500	2,500
Income Taxes	1,017,902	1,104,878
Grants and Entitlements	6,033,703	5,372,899
Other	100,897	151,734
Total Receipts	<u>12,102,119</u>	<u>11,851,593</u>

(Continued)

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

<b>Program Disbursements:</b>		
Instruction	6,985,706	6,723,880
Support Services	3,420,506	3,461,277
Operation of Non-Instructional Services		64,189
Operation of Food Services	457,270	416,550
Extracurricular	384,999	324,203
Capital Outlay	61,649	50,843
Repayment of Debt	755,261	754,349
Total Disbursements	12,065,391	11,795,291
 Increase in Net Assets	 \$ 36,728	 \$ 56,302

**Governmental Activities**

Several receipts sources fund the School District's governmental activities with intergovernmental receipts being the largest contributor. Grants and entitlements generated \$6.0 million in fiscal year 2010. Property tax levies, also a large contributor generated \$2.8 million. With the combination of taxes and intergovernmental funding over 73% of disbursements in governmental activities, the School District monitors both of these receipts sources very closely for fluctuations.

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 2010 and 2009. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

**(Table 3)  
Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2010	2009	2010	2009
Instruction	\$ 6,985,706	\$ 6,723,880	\$5,696,700	\$5,249,714
<b>Support Services:</b>				
Pupil and Instructional Staff	739,220	780,030	726,822	764,481
Board of Education, Administration, Fiscal and Central	1,221,103	1,194,586	1,123,567	1,118,226
Operation and Maintenance of Plant	1,030,721	1,035,013	980,220	992,119
Pupil Transportation	429,462	451,648	406,619	409,418
Operation of Non-Instructional Services		64,189		64,189
Operation of Food Services	457,270	416,550	(40,793)	(96,897)
Extracurricular Activities	384,999	324,203	233,525	135,153
Capital Outlay	61,649	50,843	60,711	32,943
Repayment of Debt	755,261	754,349	755,261	637,580
 Total	 \$12,065,391	 \$11,795,291	 \$9,942,632	 \$9,306,926

Instruction and student support services comprise 64% of governmental program disbursements. Board of education, fiscal, administration and central charges were 10%. Pupil transportation and the operation/maintenance of facilities accounts for 12% of governmental program disbursements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

**The School District's Funds**

For fiscal year 2010, the School District had two major governmental funds: the General Fund and the Classroom Facilities Fund. The assets of these funds comprise \$4,649,978, or 82% of the \$5,650,529 in total governmental assets.

**General Fund** – The General Fund cash balance at June 30, 2010 was \$3,344,030, which represents 59% of total governmental fund cash balances. Receipts and other financing sources of the General Fund comprise \$9,086,970 (75%) of the total \$12,102,782 governmental funds' receipts and other financing sources and 76% of the total disbursements and other financing uses for the governmental funds. General fund disbursements were more than receipts by \$132,135.

**Classroom Facilities Fund** – The Classroom Facilities Fund cash balance at June 30, 2010 was \$1,305,948, 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 \$12,102,782 governmental funds' receipts and other financing sources and less than 1% of total disbursements and other financing uses.

**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 year 2010, 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 2010, the General Fund budget basis actual receipts and other financing sources were \$9,086,970; \$52,435 under the final budget estimates of \$9,139,405. Of this decrease, most was attributable to a decrease in intergovernmental receipts. Budget basis actual disbursements and other financing uses were \$9,299,027; \$408,240 less than the final budgeted estimates of \$9,707,267. 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 year 2010, this amounted to \$180,426 for each set aside.

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

**Debt Administration**

At June 30, 2010, the School District had \$10,065,488 in general obligation bonds outstanding. During fiscal year 2010, \$335,000 of general obligation bonds were retired. See Note 7 for additional details.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(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 district. The district currently has three tax issues that run for 5 years at a time. The district's voters have been supportive of the district in recent elections. District voters renewed 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, district voters renewed a 1% Income Tax levy for an additional 5 years. This issue was first passed by voters in February of 1995. 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 district amount to 23% of total Governmental receipts and are made up of Real Estate and Public Utility Taxes. Tangible personal property tax revenue was phased out by the State of Ohio. 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 district, the district is concerned about the long-term effect of the elimination of this tax. The district's income tax amounts to approximately 8% of total Governmental receipts.

The Parkway Local School District is primarily dependent on State funding. Funding from the State and other Intergovernmental sources was 59% of total receipts for Governmental Funds.

District management will continue to monitor district finances. The coming years should prove to be both exciting and challenging to the 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. District management is committed to monitoring these changing conditions and making pro-active decisions regarding 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.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2010**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,570,590
Cash and Cash Equivalents in Segregated Accounts	79,939
	<u>5,650,529</u>
 <b>Net Assets:</b>	
<b>Restricted for:</b>	
Capital Projects	1,443,536
Debt Service	439,838
Other Purposes	423,125
Unrestricted	3,344,030
Total Net Assets	<u><u>\$5,650,529</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, 2010**

	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>					
<b>Instruction:</b>					
Regular	\$4,633,635	\$513,119	\$157,283		(\$3,963,233)
Special	2,164,288		618,604		(1,545,684)
Adult/Continuing	186,768				(186,768)
Other	1,015				(1,015)
<b>Support Services:</b>					
Pupil	289,625				(289,625)
Instructional Staff	449,595	687	11,711		(437,197)
Board of Education	21,151				(21,151)
Administration	814,070	82,781	6,395		(724,894)
Fiscal	356,195				(356,195)
Operation and Maintenance of Plant	1,030,721		41,225	9,276	(980,220)
Pupil Transportation	429,462			22,843	(406,619)
Central	29,687	3,360	5,000		(21,327)
Operation of Food Services	457,270	267,128	230,935		40,793
Extracurricular Activities	384,999	151,474			(233,525)
Capital Outlay	61,649			938	(60,711)
<b>Repayment of Debt:</b>					
Repayment of Principal	335,000				(335,000)
Repayment of Interest	420,261				(420,261)
<b>Total Governmental Activities</b>	<b>\$12,065,391</b>	<b>\$1,018,549</b>	<b>\$1,071,153</b>	<b>\$33,057</b>	<b>(9,942,632)</b>
<b>General Receipts:</b>					
<b>Property Taxes Levied for:</b>					
General Purposes					1,928,175
Debt Service					774,809
Capital Projects					94,637
Classroom Facilities and Maintenance					26,737
Payments in Lieu of Taxes					2,500
Income Tax					1,017,902
Grants and Entitlements not Restricted to Specific Programs					6,033,703
Proceeds on the Sale of Assets					450
Interest					54,469
Miscellaneous					45,978
<b>Total General Receipts</b>					<b>9,979,360</b>
Change in Net Assets					36,728
Net Assets - Beginning of Year					5,613,801
Net Assets - End of Year					<b>\$5,650,529</b>

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<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	\$3,332,965	\$1,290,038	\$936,522	\$5,559,525
Cash and Cash Equivalents in Segregated Accounts		15,910	64,029	79,939
<b>Restricted Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	11,065			11,065
<b>Total Assets</b>	<u>3,344,030</u>	<u>1,305,948</u>	<u>1,000,551</u>	<u>5,650,529</u>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Reserved for Encumbrances	79,894	2,700	48,852	131,446
Reserved for Bus Purchase	11,065			11,065
Reserved for Unclaimed Monies	5,709			5,709
<b>Unreserved:</b>				
<b>Undesignated, Reported in:</b>				
General Fund	3,247,362			3,247,362
Special Revenue Funds			404,823	404,823
Debt Service Fund			439,838	439,838
Capital Projects Fund		1,303,248	107,038	1,410,286
<b>Total Fund Balances</b>	<u>\$3,344,030</u>	<u>\$1,305,948</u>	<u>\$1,000,551</u>	<u>\$5,650,529</u>

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<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	\$1,928,175		\$896,183	\$2,824,358
Income Taxes	1,017,902			1,017,902
Intergovernmental	5,573,288		1,572,988	7,146,276
Interest	54,469	\$857	2,605	57,931
Tuition and Fees	480,254		32,865	513,119
Rent	3,360			3,360
Extracurricular Activities			124,963	124,963
Gifts and Donations	982		31,890	32,872
Customer Sales and Services	13		327,196	327,209
Payments in Lieu of Taxes	2,500			2,500
Miscellaneous	25,560		26,265	51,825
Total Receipts	<u>9,086,503</u>	<u>857</u>	<u>3,014,955</u>	<u>12,102,315</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Instruction				
Regular	4,202,254		431,381	4,633,635
Special	1,551,607		612,681	2,164,288
Vocational	184,060		2,708	186,768
Student Intervention Services	1,015			1,015
<b>Support Services:</b>				
Pupil	286,756		2,869	289,625
Instructional Staff	415,285		34,310	449,595
Board of Education	21,151			21,151
Administration	713,080		100,990	814,070
Fiscal	332,558		23,637	356,195
Operation and Maintenance of Plant	927,104		103,617	1,030,721
Pupil Transportation	361,541		67,921	429,462
Central	22,651		7,036	29,687
Operation of Food Services			457,270	457,270
Extracurricular Activities	199,576		185,423	384,999
Capital Outlay		1,237	60,412	61,649
<b>Repayment of Debt:</b>				
Principal			335,000	335,000
Interest			420,261	420,261
Total Disbursements	<u>9,218,638</u>	<u>1,237</u>	<u>2,845,516</u>	<u>12,065,391</u>
Excess of Receipts Over/(Under) Disbursements	<u>(132,135)</u>	<u>(380)</u>	<u>169,439</u>	<u>36,924</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	450			450
Refund of Prior Year Disbursements	17			17
Refund of Prior Year Receipts	(495)		(168)	(663)
Total Other Financing Sources (Uses)	<u>(28)</u>		<u>(168)</u>	<u>(196)</u>
Net Change in Fund Balances	(132,163)	(380)	169,271	36,728
Fund Balances - Beginning of Year	<u>3,476,193</u>	<u>1,306,328</u>	<u>831,280</u>	<u>5,613,801</u>
Fund Balances - End of Year	<u>\$3,344,030</u>	<u>\$1,305,948</u>	<u>\$1,000,551</u>	<u>\$5,650,529</u>

See accompanying notes to the financial statements.



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
BUDGET BASIS - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<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	\$1,875,303	\$1,938,395	\$1,928,175	(\$10,220)
Income Taxes	1,104,878	1,017,902	1,017,902	
Intergovernmental	5,928,301	5,623,623	5,573,288	(50,335)
Interest	65,705	55,205	54,469	(736)
Tuition and Fees	447,146	476,187	480,254	4,067
Rent	1,705	4,205	3,360	(845)
Gifts and Donations	24	1,024	982	(42)
Customer Sales and Services		13	13	
Payments in Lieu of Taxes	2,500	2,500	2,500	
Miscellaneous	23,048	19,548	25,560	6,012
<b>Total Receipts</b>	<u>9,448,610</u>	<u>9,138,602</u>	<u>9,086,503</u>	<u>(52,099)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction</b>				
Regular	4,209,830	4,332,315	4,212,856	119,459
Special	1,751,086	1,609,306	1,572,678	36,628
Vocational Education	190,699	197,809	184,060	13,749
Student Intervention Services	5,267	1,015	1,015	
<b>Support Services:</b>				
Pupil	280,020	289,553	286,756	2,797
Instructional Staff	453,567	443,965	420,269	23,696
Board of Education	15,803	25,095	21,151	3,944
Administration	669,970	744,203	713,219	30,984
Fiscal	330,753	350,172	332,648	17,524
Operation and Maintenance of Plant	840,899	1,037,605	932,872	104,733
Pupil Transportation	352,075	407,507	361,781	45,726
Central	16,514	23,817	22,651	1,166
Extracurricular Activities	179,599	207,158	199,576	7,582
<b>Capital Outlay:</b>				
Building Acquisition and Construction Services		37,000	37,000	
<b>Total Disbursements</b>	<u>9,296,082</u>	<u>9,706,520</u>	<u>9,298,532</u>	<u>407,988</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	<u>152,528</u>	<u>(567,918)</u>	<u>(212,029)</u>	<u>355,889</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	3,336	786	450	(336)
Refund of Prior Year Disbursements	18,351	17	17	
Refund of Prior Year Receipts		(747)	(495)	252
<b>Total Other Financing Sources (Uses)</b>	<u>21,687</u>	<u>56</u>	<u>(28)</u>	<u>(84)</u>
<b>Net Change in Fund Balances</b>	174,215	(567,862)	(212,057)	355,805
<b>Fund Balances - Beginning of Year</b>	3,445,413	3,445,413	3,445,413	
<b>Prior Year Encumbrances Appropriated</b>	<u>30,780</u>	<u>30,780</u>	<u>30,780</u>	
<b>Fund Balances - End of Year</b>	<u>\$3,650,408</u>	<u>\$2,908,331</u>	<u>\$3,264,136</u>	<u>\$355,805</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, 2010**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$28,251	\$41,953
Cash and Cash Equivalents in Segregated Accounts		2,713
Total Assets	28,251	44,666
<b>Net Assets:</b>		
<b>Held in Trust for:</b>		
Scholarships	24,616	
Employees		5,336
Students	3,635	39,330
Total Net Assets	\$28,251	\$44,666

*See accompanying notes to the financial statements.*

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Gifts and Contributions	\$6,702
Interest	148
Total Additions	<u>6,850</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>13,043</u>
Total Deductions	<u>13,043</u>
Change in Net Assets	(6,193)
Net Assets - Beginning of Year	<u>34,444</u>
Net Assets - End of Year	<u><u>\$28,251</u></u>

*See accompanying notes to the financial statements.*

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**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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. The School District is staffed by forty-one classified employees, seventy-eight certified teaching personnel who provide services to 1,037 students and other community members.

The reporting entity is comprised of the primary government and other organizations that are included to ensure 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 West Central Ohio Special Education Regional Resource Center, the Northwestern Ohio Educational Research Council, Inc., the Ohio School Plan, the Mercer Auglaize Employee Benefit Trust, Ohio Association of School Business Officials Workers' Compensation Group Rating Program and the Rockford Carnegie Public Library. These organizations are presented in Notes 12, 13, and 14 to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**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. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District's accounting policies.

**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. 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.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**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.

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.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**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.

The legal level of budgetary control established by the Board is at the object 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 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.



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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.

**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 yearend 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 re-appropriated.

**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 in Segregated Accounts."

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 2010, the School District invested in nonnegotiable certificates of deposits, Federal National Mortgage Association securities and STAROhio. STAROhio 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 2010 were \$54,469, which includes \$22,234 assigned from other School District Funds.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(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.

**L. Equity Classifications**

**1. Government-Wide Statements**

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

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

- 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, 2010, 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 and bus purchase.

**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.

**N. Implementation of New Accounting Policies**

For the year ended June 30, 2010, the School District has implemented GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments,” and GASB Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.”

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**3. COMPLIANCE**

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

**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.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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;
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 (STAROhio);
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, 2010, the School District had \$710 in un-deposited cash on hand which is included in the fund balance.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**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 fiscal year end, the carrying amount of the School District's deposits was \$4,300,741 and the bank balance was \$4,483,978. Of the bank balance, \$473,992 was covered by federal depository insurance and \$4,009,986 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, 2010, the School District's investments were as follows:

	<b>Value as of June 30, 2010</b>	<b>% of Investment Total</b>	<b>Maturities</b>
STAROhio	\$ 421,995	29.68%	Available on demand
Federal National Mortgage Association	1,000,000	70.32%	Available on demand
<b>Total Investments</b>	<b>\$1,421,995</b>	<b>100.00%</b>	

**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 purchasers 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."

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

The School District has no investment policy dealing with investment credit risk beyond the requirements of State statute.

Of the School District's investments, STAROhio and Federal National Mortgage Association Securities carry a rating of AAA by Standard and Poor's.

**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, 2010, 29.68% of the School District's investments are in STAROhio and 70.32% in Federal National Mortgage Association Securities.

**5. PROPERTY TAXES**

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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 the 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 2006 – 2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2010 taxes were collected are:

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**5. PROPERTY TAXES (Continued)**

	<b>2009 Second-Half Collections</b>		<b>2010 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Rea Estate	\$ 95,661,900	91.09%	\$ 96,597,600	93.53%
Industrial/Commercial	5,721,130	5.45	5,633,390	5.45
Public Utility	3,626,780	3.46	1,050,850	1.02
Total Assessed Value	<u>\$105,009,810</u>	<u>100.00%</u>	<u>\$103,281,840</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.42		\$44.58	

**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 2010 are as follows:

	<b>Interest Rates</b>	<b>Balance at 06/30/09</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 06/30/10</b>	<b>Due Within One Year</b>
General Obligation Bonds						
2003 Various Purpose						
Serial and Term	1.5 – 4.625%	\$ 9,890,000		\$335,000	\$ 9,555,000	\$345,000
Capital Appreciation	4.000%	214,999			214,999	
Bond Accretion		237,842	\$57,647		295,489	
Total General Obligation Debt		<u>\$10,342,841</u>	<u>\$57,647</u>	<u>\$335,000</u>	<u>\$10,065,488</u>	<u>\$345,000</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.



**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**7. DEBT OBLIGATIONS (Continued)**

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, 2010, were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Serial and Term Bonds</u>	<u>Capital Appreciation Bonds</u>	<u>Interest/ Accretion</u>	<u>Total</u>
2011	\$ 345,000		\$ 409,630	\$ 754,630
2012	355,000		524,567	879,567
2013		\$113,932	650,543	764,475
2014		101,067	524,009	625,076
2015	365,000		385,199	750,199
2016 – 2020	2,055,000		1,691,640	3,746,640
2021 – 2025	2,540,000		1,200,842	3,740,842
2026 – 2030	3,170,000		547,369	3,717,369
2031	725,000		16,766	741,766
	<u>\$9,555,000</u>	<u>\$214,999</u>	<u>\$5,950,565</u>	<u>\$15,720,564</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 year 2010, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

Buildings and Contents - replacement cost (\$1,000 deductible) \$ 38,347,160

Coverage provided by Ohio School Plan is as follows:

Vehicle Liability	3,000,000
General Liability	
Each Incident	3,000,000
Per Aggregate	5,000,000
Excess Liability	
Each Incident	2,000,000
Per Aggregate	2,000,000

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**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 300 Ohio schools ("Members").

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

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65% and is less than 80% does the Plan contribute to paid claims. (See the Plan's audited financial statements on 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, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$3,662,470	\$3,273,989
Liabilities	1,729,914	1,873,157
Members' Equity	<u>\$1,932,556</u>	<u>\$1,400,832</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 year 2010, the School District's Workers' Compensation managed care organization is contracted with Ohio Association of School Business Officials Workers' Compensation Group Rating Program ("GRP"). 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS**

**A. 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.

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, 2010, 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. 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, 2010, 2009, and 2008 were \$530,484, \$541,273 and \$546,420 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2009, (most recent information available), were \$356 made by the School District and \$110 made by the plan members.

**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS**

**B. School Employees 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 2010, 12.78 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, 2010, 2009 and 2008 were \$100,515, \$100,678 and \$100,350 respectively; 36 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010, all of the Board of Education members have elected Social Security. The contribution rate is 6.2 percent of wages paid.

**10. POSTEMPLOYMENT BENEFITS**

**A. 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 2010, 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, 2010, 2009, and 2008 were \$441,044, \$450,592, and \$452,107 respectively; 83% has been paid for fiscal year 2010 and 100 percent has been contributed for 2010, 2009 and 2008.

**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

**B. School Employees Retirement System**

**Plan Description** – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. 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 105e. For 2010, 0.46 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 2010, this amount was \$20,338.

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, 2010, 2009, and 2008 were \$50,477, \$45,573, and \$46,279 respectively; 36 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$8,230, \$7,254, and \$7,230 respectively; 36 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

**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, 2010, the reserve activity was as follows:

**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**11. STATUTORY RESERVES (Continued)**

	<b>Textbook Reserve`</b>	<b>Capital Maintenance Reserve</b>
Carryover Balance, June 30, 2009	(\$489,033)	
Required Set-Aside	180,426	\$180,426
Qualifying Disbursements	(140,362)	(116,216)
Current Year Offsets		(26,737)
Prior Year Offset from Bond Proceeds		(34,473)
Balance June 30, 2010	(448,969)	\$ 0
Balance Carried Forward to FY11	(\$448,969)	

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.

**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 local and city public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood Counties. 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 year 2010, the School District paid \$7,680. 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 thirteen members: ten local school districts, one exempted village school district, and two city school districts. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Vantage Career Center Treasurer, 818 North Franklin, Van Wert, Ohio 45891-1304.

**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**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.

**West Central Ohio Special Education Regional Resource Center (“SERRC”)** - The SERRC is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents.

The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board.

Financial information can be obtained from Krista Hart, Treasurer, Hardin County Educational Service Center, 1121 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

**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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(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 Association of School Business Officials Workers' Compensation Group Rating Program**

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 Program was established through the Ohio Association of School Business Officials (OASBO) as a group insurance purchasing pool.

**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 YEAR ENDED JUNE 30, 2010  
(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, 2010.

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**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES  
FOR YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>(Passed through Ohio Department of Education)</i>						
Nutrition Cluster:						
Non-Cash Assistance (food distribution)						
National School Lunch Program		10.555		\$63,486		\$63,486
Cash Assistance:						
School Breakfast Program		10.553	\$19,538		\$19,538	
National School Lunch Program		10.555	168,026		168,026	
Total Nutrition Cluster			<u>187,564</u>	<u>63,486</u>	<u>187,564</u>	<u>63,486</u>
Total U.S. Department of Agriculture			<u>187,564</u>	<u>63,486</u>	<u>187,564</u>	<u>63,486</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>(Passed through Ohio Department of Education)</i>						
Special Education Grants to States - ARRA	2010	84.391	196,398		187,850	
Title I Cluster:						
Title I Grants to Local Educational Agencies	2009	84.010	7,543		12,296	
	2010	84.010	124,821		124,821	
Title I Grants to Local Educational Agencies - ARRA	2010	84.389	48,368		43,479	
Total Title I Cluster			<u>180,732</u>		<u>180,596</u>	
Safe and Drug-Free School and Communities	2010	84.186	2,927		2,927	
Improving Teacher Quality	2009	84.367	(346)			
Improving Teacher Quality	2010	84.367	45,930		45,141	
Total Improving Teacher Quality			<u>45,584</u>		<u>45,141</u>	
State Fiscal Stabilization Fund - ARRA	2010	84.394	348,680		320,104	
Technology Literacy Challenge Grant	2010	84.318	1,203		1,203	
Total U.S. Department of Education			<u>775,524</u>		<u>737,821</u>	
<b>Corporation for National and Community Service</b>						
<i>(Passed through Ohio Department of Education)</i>						
Learn and Service America - School & Community Based Programs	2010	94.004	3,000		3,000	
Total Corporation for National and Community Service			<u>3,000</u>		<u>3,000</u>	
Total Federal Assistance			<u>\$966,088</u>	<u>\$63,486</u>	<u>\$928,385</u>	<u>\$63,486</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the School District's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D - TRANSFERS BETWEEN FEDERAL PROGRAMS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred \$346 from fiscal year 2009 Improving Teacher Quality to fiscal year 2010 Improving Teacher Quality.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(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 year ended June 30, 2009. 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 2009 are as follows:

- General Receipts accounted for \$9,363,228 in receipts or 79% of all receipts. Program specific receipts in the form of charges for services and sales, operating grants, capital grants and contributions and interest accounted for \$2,488,365 or 21% of total receipts of \$11,851,593.
- Total program disbursements were \$11,795,291, all of which were in governmental activities.
- In total, net assets increased \$56,302.

**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 Parkway Local 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.

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.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)  
(Continued)**

**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 fiscal year 2009?" 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 45. 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** - Most 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.

**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 52 and 53. 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.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)  
(Continued)**

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for 2009 and 2008 comparatively:

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

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
<b>Assets:</b>		
Equity In Pooled Cash & Cash Equivalents	\$5,533,955	\$5,478,658
Cash & Cash Equivalents in Segregated Accounts	79,846	78,841
<b>Total Assets</b>	<b>5,613,801</b>	<b>5,557,499</b>
<b>Net Assets:</b>		
<b>Restricted:</b>		
Capital Projects	1,489,867	1,576,546
Debt Service	266,632	201,348
Other Purposes	381,109	380,876
Unrestricted	3,476,193	3,398,729
<b>Total Net Assets</b>	<b>\$5,613,801</b>	<b>\$5,557,499</b>

Net assets of the governmental activities increased \$56,302, which represents a 1% increase over the fiscal year 2008 balance. The increase is the result of spending monies on capital outlays in the current year that were received through grants in prior years.

Table 2 shows the changes in net assets for fiscal years 2009 and 2008. This enables the reader to draw further conclusions about the District's financial status and possibly project future problems.

**(Table 2)  
Governmental Activities**

	<b>2009</b>	<b>2008</b>
<b>Program Receipts:</b>		
Charges for Services	\$ 985,410	\$1,042,693
Operating Grants	1,464,142	1,534,878
Capital Grants	38,813	92,761
<b>General Receipts:</b>		
<b>Property Taxes levied for:</b>		
General Purpose	1,875,303	1,837,405
Debt Service	711,399	672,929
Capital Projects	95,066	97,319
Classroom Facilities & Maintenance	49,449	38,777
Payments in Lieu of Taxes	2,500	8,000
Income Taxes	1,104,878	1,149,213
Grants and Entitlements	5,372,899	5,273,618
Other	151,734	203,285
<b>Total Receipts</b>	<b>11,851,593</b>	<b>11,950,878</b>

(Continued)

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)  
(Continued)**

**(Table 2)  
Governmental Activities  
(Continued)**

	<b>2009</b>	<b>2008</b>
<b>Program Disbursements:</b>		
Instruction	6,723,880	6,598,876
Support Services	3,461,277	3,461,712
Operation of Non-Instructional Services	64,189	62,740
Operation of Food Services	416,550	397,962
Extracurricular	324,203	373,464
Capital Outlay	50,843	277,010
Repayment of Debt	754,349	756,811
Total Disbursements	<u>11,795,291</u>	<u>11,928,575</u>
Increase in Net Assets	<u>\$ 56,302</u>	<u>\$ 22,303</u>

**Governmental Activities**

Several receipts sources fund the School District's governmental activities with intergovernmental receipts being the largest contributor. Grants and entitlements generated \$5.4 million in fiscal year 2009. Property tax levies, also a large contributor generated \$2.7 million. With the combination of taxes and intergovernmental funding over 69% of disbursements in governmental activities, the School District monitors both of these receipts sources very closely for fluctuations.

Capital outlay disbursements reflect a significant decrease from fiscal year 2008 to fiscal year 2009. The large variance reflects the completion of the School Facilities project in the prior years.

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 2009 and 2008. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

**(Table 3)  
Governmental Activities**

	<b>Total Cost of Service</b>		<b>Net Cost of Service</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Instruction	\$ 6,723,880	\$ 6,598,876	\$5,249,714	\$5,044,459
<b>Support Services:</b>				
Pupil and Instructional Staff	780,030	755,144	764,481	712,925
Board of Education, Administration, Fiscal and Central	1,194,586	1,191,026	1,118,226	1,066,123
Operation and Maintenance of Plant	1,035,013	1,040,343	992,119	995,785
Pupil Transportation	451,648	475,199	409,418	456,225
Operation of Non-Instructional Services	64,189	62,740	64,189	62,740
Operation of Food Services	416,550	397,962	(96,897)	(130,279)
Extracurricular Activities	324,203	373,464	135,153	180,087
Capital Outlay	50,843	277,010	32,943	208,913
Repayment of Debt	754,349	756,811	637,580	661,265
Total	<u>\$11,795,291</u>	<u>\$11,928,575</u>	<u>\$9,306,926</u>	<u>\$9,258,243</u>

Instruction and student support services comprise 64% of governmental program disbursements. Board of education, fiscal, administration and central charges were 10%. Pupil transportation and the operation/maintenance of facilities accounts for 13% of governmental program disbursements.



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)  
(Continued)**

**The School District's Funds**

For fiscal year 2009, the School District had two major governmental funds: the General Fund and the Classroom Facilities Fund. The assets of these funds comprise \$4,782,521, or 85% of the \$5,613,801 in total governmental assets.

**General Fund** – The General Fund cash balance at June 30, 2009 was \$3,476,193, which represents 62% of total governmental fund cash balances. Receipts and other financing sources of the General Fund comprise \$9,512,432 (80%) of the total \$11,861,633 governmental funds' receipts and other financing sources and 80% of the total disbursements and other financing uses for the governmental funds. General fund receipts were more than disbursements by \$21,161.

**Classroom Facilities Fund** – The Classroom Facilities Fund cash balance at June 30, 2009 was \$1,306,328, 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 \$11,861,633 governmental funds' receipts and other financing sources and less than 1% of total disbursements and other financing uses.

**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 year 2009, 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 2009, the General Fund budget basis actual receipts and other financing sources were \$9,512,072; \$83,942 under the final budget estimates of \$9,596,014. Of this decrease, most was attributable to a decrease in property and other local taxes. Budget basis actual disbursements and other financing uses were \$9,465,388; \$34,172 less than the final budgeted estimates of \$9,499,560. The majority of the favorable change in disbursements was due to the School District's efforts to cut transportation 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 year 2009, this amounted to \$181,356 for each set aside.

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

**Debt Administration**

At June 30, 2009, the School District had \$10,342,841 in general obligation bonds outstanding. During fiscal year 2009, \$325,000 of general obligation bonds were retired. See Note 7 for additional details.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(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 district. The district currently has three tax issues that run for 5 years at a time. The district's voters have been supportive of the district in recent elections. District voters renewed 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, 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. 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 district amount to 23% of total Governmental receipts (excluding the Building Fund and Classroom Facilities) and are made up of Real Estate and Tangible Personal Property Taxes. Real Estate taxes amount to approximately 94% of all property taxes collected. The district has experienced growth of approximately 3% 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 district, the district is concerned about the long-term effect of the elimination of this tax. The district's income tax amounts to approximately 9% of total Governmental receipts.

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

District management will continue to monitor district finances. The coming years should prove to be both exciting and challenging to the 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. District management is committed to monitoring these changing conditions and making pro-active decisions regarding 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.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2009**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,533,955
Cash and Cash Equivalents in Segregated Accounts	<u>79,846</u>
	<u>5,613,801</u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Capital Projects	1,489,867
Debt Service	266,632
Other Purposes	381,109
Unrestricted	<u>3,476,193</u>
Total Net Assets	<u><u>\$5,613,801</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, 2009**

	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>				
<b>Instruction:</b>				
Regular	\$4,393,755	\$495,880	\$176,659	(\$3,721,216)
Special	2,123,060		801,627	(1,321,433)
Adult/Continuing	192,266			(192,266)
Other	14,799			(14,799)
<b>Support Services:</b>				
Pupil	289,428	260	2,949	(286,219)
Instructional Staff	490,602	468	11,872	(478,262)
Board of Education	14,803			(14,803)
Administration	776,378	134	69,521	(706,723)
Fiscal	362,265			(362,265)
Operation and Maintenance of Plant	1,035,013		38,559	\$4,335 (992,119)
Pupil Transportation	451,648		25,652	16,578 (409,418)
Central	41,140	1,705	5,000	(34,435)
Operation of Non-Instructional Services	64,189			(64,189)
Operation of Food Services	416,550	297,913	215,534	96,897
Extracurricular Activities	324,203	189,050		(135,153)
Capital Outlay	50,843			17,900 (32,943)
<b>Repayment of Debt:</b>				
Repayment of Principal	325,000		116,769	(208,231)
Repayment of Interest	429,349			(429,349)
Total Governmental Activities	<u>\$11,795,291</u>	<u>\$985,410</u>	<u>\$1,464,142</u>	<u>\$38,813</u> <u>(9,306,926)</u>
<b>General Receipts:</b>				
<b>Property Taxes Levied for:</b>				
				1,875,303
General Purposes				711,399
Debt Service				95,066
Capital Projects				49,449
Classroom Facilities and Maintenance				2,500
Payments in Lieu of Taxes				1,104,878
Income Tax				5,372,899
Grants and Entitlements not Restricted to Specific Programs				3,336
Proceeds on the Sale of Assets				65,705
Interest				36,141
Insurance Recoveries				440
Accrued Interest Received on Bonds and Notes				46,112
Miscellaneous				<u>9,363,228</u>
Total General Receipts				
Change in Net Assets				56,302
Net Assets - Beginning of Year				<u>5,557,499</u>
Net Assets - End of Year				<u>\$5,613,801</u>

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<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	\$3,475,668	\$1,290,436	\$767,326	\$5,533,430
Cash and Cash Equivalents in Segregated Accounts		15,892	63,954	79,846
<b>Restricted Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	525			525
Total Assets	<u>3,476,193</u>	<u>1,306,328</u>	<u>831,280</u>	<u>5,613,801</u>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Reserved for Encumbrances	30,780		35,544	66,324
Reserved for Bus Purchase	525			525
Reserved for Unclaimed Monies	2,159			2,159
<b>Unreserved:</b>				
<b>Undesignated, Reported in:</b>				
General Fund	3,442,729			3,442,729
Special Revenue Funds			347,065	347,065
Debt Service Fund			266,632	266,632
Capital Projects Fund		1,306,328	182,039	1,488,367
Total Fund Balances	<u>\$3,476,193</u>	<u>\$1,306,328</u>	<u>\$831,280</u>	<u>\$5,613,801</u>

*See accompanying notes to the financial statements.*

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2009**

	<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	\$1,875,303		\$855,915	\$2,731,218
Income Taxes	1,104,878			1,104,878
Intergovernmental	5,928,301		855,188	6,783,489
Interest	65,705	\$16,825	3,145	85,675
Tuition and Fees	447,146		48,993	496,139
Rent	1,705			1,705
Extracurricular Activities			173,360	173,360
Gifts and Donations	24		17,737	17,761
Customer Sales and Services			354,079	354,079
Payments in Lieu of Taxes			2,500	2,500
Miscellaneous	27,707		14,779	42,486
<b>Total Receipts</b>	<b>9,450,769</b>	<b>16,825</b>	<b>2,325,696</b>	<b>11,793,290</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,259,337		134,418	4,393,755
Special	1,775,324		347,736	2,123,060
Vocational	191,748		518	192,266
Other	14,799			14,799
<b>Support Services:</b>				
Pupil	286,096		3,332	289,428
Instructional Staff	439,181		51,421	490,602
Board of Education	14,803			14,803
Administration	669,576		106,802	776,378
Fiscal	339,052		23,213	362,265
Operation and Maintenance of Plant	873,098		161,915	1,035,013
Pupil Transportation	367,862		83,786	451,648
Central	16,514		24,626	41,140
Operation of Non-Instructional Services			64,189	64,189
Operation of Food Services			416,550	416,550
Extracurricular Activities	182,218		141,985	324,203
Capital Outlay		10,330	40,513	50,843
<b>Repayment of Debt:</b>				
Principal			325,000	325,000
Interest			429,349	429,349
<b>Total Disbursements</b>	<b>9,429,608</b>	<b>10,330</b>	<b>2,355,353</b>	<b>11,795,291</b>
Excess of Receipts Over/(Under) Disbursements	21,161	6,495	(29,657)	(2,001)
<b>Other Financing Sources (Uses):</b>				
Advances In	5,000		5,000	10,000
Accrued Interest Received on Bonds and Notes Issued			440	440
Proceeds from Sale of Capital Assets	3,336			3,336
Insurance Recoveries	34,616		1,525	36,141
Refund of Prior Year Disbursements	18,351		75	18,426
Advances Out	(5,000)		(5,000)	(10,000)
Refund of Prior Year Receipts			(40)	(40)
<b>Total Other Financing Sources (Uses)</b>	<b>56,303</b>		<b>2,000</b>	<b>58,303</b>
Net Change in Fund Balances	77,464	6,495	(27,657)	56,302
Fund Balances - Beginning of Year	3,398,729	1,299,833	858,937	5,557,499
Fund Balances - End of Year	<u>\$3,476,193</u>	<u>\$1,306,328</u>	<u>\$831,280</u>	<u>\$5,613,801</u>

See accompanying notes to the financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
BUDGET GASIS - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<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	\$1,812,730	\$1,949,730	\$1,875,303	(\$74,427)
Income Taxes	1,149,213	1,104,878	1,104,878	
Intergovernmental	5,926,752	5,934,778	5,928,301	(6,477)
Interest	182,368	66,368	65,705	(663)
Tuition and Fees	360,515	450,735	447,146	(3,589)
Rent	2,740	1,705	1,705	
Gifts and Donations			24	24
Miscellaneous		25,600	27,707	2,107
<b>Total Receipts</b>	<u>9,434,318</u>	<u>9,533,794</u>	<u>9,450,769</u>	<u>(83,025)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,236,642	4,267,790	4,265,789	2,001
Special	1,514,285	1,776,037	1,775,699	338
Vocational Education	188,242	192,703	192,699	4
Other	29,484	14,811	14,799	12
<b>Support Services:</b>				
Pupil	282,482	286,511	286,468	43
Instructional Staff	452,662	456,255	455,847	408
Board of Education	13,295	16,314	15,803	511
Administration	711,389	678,692	670,512	8,180
Fiscal	326,924	339,810	339,052	758
Operation and Maintenance of Plant	925,094	884,469	874,844	9,625
Pupil Transportation	386,307	380,319	370,144	10,175
Central	35,624	17,193	16,514	679
Extracurricular Activities	97,713	183,656	182,218	1,438
Capital Outlay	29,874			
<b>Total Disbursements</b>	<u>9,230,017</u>	<u>9,494,560</u>	<u>9,460,388</u>	<u>34,172</u>
Excess of Receipts Over (Under) Disbursements	<u>204,301</u>	<u>39,234</u>	<u>(9,619)</u>	<u>(48,853)</u>
<b>Other Financing Sources (Uses)</b>				
Advances-In		5,000	5,000	
Proceeds from Sale of Capital Assets	4,004	3,404	3,336	(68)
Insurance Recoveries		34,616	34,616	
Refund of Prior Year Disbursements	10,649	19,200	18,351	(849)
Advances-Out		(5,000)	(5,000)	
<b>Total Other Financing Sources (Uses)</b>	<u>14,653</u>	<u>57,220</u>	<u>56,303</u>	<u>(917)</u>
Net Change in Fund Balances	218,954	96,454	46,684	(49,770)
Fund Balances - Beginning of Year	3,263,101	3,263,101	3,263,101	
Prior Year Encumbrances Appropriated	<u>135,628</u>	<u>135,628</u>	<u>135,628</u>	
<b>Fund Balances - End of Year</b>	<u><u>\$3,617,683</u></u>	<u><u>\$3,495,183</u></u>	<u><u>\$3,445,413</u></u>	<u><u>(\$49,770)</u></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, 2009**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$34,444	\$43,438
Cash and Cash Equivalents in Segregated Accounts		2,713
Total Assets	34,444	46,151
 <b>Net Assets:</b>		
<b>Held in Trust for:</b>		
Scholarships	31,059	
Employees		2,713
Students	3,385	43,438
Total Net Assets	\$34,444	\$46,151

*See accompanying notes to the financial statements.*



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>Private Purpose Trust</b>
<b>Additions:</b>	
Gifts and Contributions	\$14,503
Interest	1,638
Miscellaneous	1,990
Total Additions	18,131
 <b>Deductions:</b>	
Payments in Accordance with Trust Agreements	20,239
Total Deductions	20,239
 Change in Net Assets	 (2,108)
 Net Assets - Beginning of Year	 36,552
 Net Assets - End of Year	 \$34,444

*See accompanying notes to the financial statements.*

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**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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. The School District is staffed by forty-four classified employees, eighty-two certified teaching personnel who provide services to 1,074 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 West Central Ohio Special Education Regional Resource 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 YEAR ENDED JUNE 30, 2009  
(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 YEAR ENDED JUNE 30, 2009  
(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 YEAR ENDED JUNE 30, 2009  
(Continued)**

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

The legal level of budgetary control established by the Board is at the object level for all 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 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 YEAR ENDED JUNE 30, 2009  
(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 re-appropriated.

**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 in Segregated Accounts".

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 2009, the School District invested in nonnegotiable certificates of deposits, Federal Home Loan Bank and STAROhio. STAROhio 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 2009 were \$65,705, which includes \$25,029 assigned from other School District Funds.

**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.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**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 for 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.

**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, 2009, the School District did not have any net assets restricted by enabling legislation.



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

- 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 and bus purchase.

**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.

**3. COMPLIANCE**

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

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**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;
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 (STAROhio);

**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

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, 2009, 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 fiscal year end, the carrying amount of the School District's deposits was \$4,272,184 and the bank balance was \$4,357,267. Of the bank balance, \$506,047 was covered by federal depository insurance and \$3,851,220 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, 2009, the School District's investments were as follows:

	<b>Value as of June 30, 2009</b>	<b>% of Investment Total</b>	<b>Maturities</b>
STAROhio	\$421,502	29.65%	Available on demand
Federal Home Loan Bank Securities	1,000,000	70.35%	Available on demand
<b>Total Investments</b>	<b>\$1,421,502</b>	<b>100.00%</b>	

**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**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."

The School District has no investment policy dealing with investment credit risk beyond the requirements of State statute.

Of the School District's investments, STAROhio and Federal Home Loan Bank Securities carry a rating of AAA by Standard and Poor's.

**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, 2009, 29.65% of the School District's investments are in STAROhio and 70.35% in Federal Home Loan Bank Securities.

**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 District due to the phasing out of the tax. In calendar years through 2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**5. PROPERTY TAXES (Continued)**

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 2008, tangible personal property is assessed at 6.25% for property. This percentage was reduced to 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, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2009 taxes were collected are:

	<b>2008 Second-Half Collections</b>		<b>2009 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Rea Estate	\$81,339,500	87.24%	\$ 95,661,900	91.09%
Industrial/Commercial	5,540,060	5.94	5,721,130	5.45
Public Utility	3,002,990	3.22	3,626,780	3.45
Tangible personal Property	3,357,465	3.60		
Total Assessed Value	<u>\$93,240,015</u>	<u>100.00%</u>	<u>\$105,009,810</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.42		\$44.58	

**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.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**7. DEBT OBLIGATIONS**

The changes in the School District's debt obligations during fiscal year 2009 are as follows:

	<u>Interest Rates</u>	<u>Balance at 06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/09</u>	<u>Due Within One Year</u>
General Obligation Bonds 2003						
Various Purpose						
Serial and Term	1.5 – 4.625%	\$10,215,000		\$325,000	\$9,890,000	\$335,000
Capital Appreciation	4.000%	214,999			214,999	
Bond Accretion		186,706	\$51,136		237,842	
Total General Obligation Debt		<u>\$10,616,705</u>	<u>\$51,136</u>	<u>\$325,000</u>	<u>\$10,342,841</u>	<u>\$335,000</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, 2009, were as follows:

**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**7. DEBT OBLIGATIONS (Continued)**

<u>Fiscal Year Ending June 30</u>	<u>Serial and Term Bonds</u>	<u>Capital Appreciation Bonds</u>	<u>Interest/ Accretion</u>	<u>Total</u>
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		101,067	524,009	625,076
2015 – 2019	1,975,000		1,773,109	3,748,109
2020 – 2024	2,430,000		1,311,594	3,741,594
2025 – 2029	3,030,000		690,744	3,720,744
2030 – 2031	1,420,000		66,369	1,486,369
	<u>\$9,890,000</u>	<u>\$214,999</u>	<u>\$6,370,826</u>	<u>\$16,475,825</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 year 2009, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

Buildings and Contents - replacement cost (\$1,000 deductible)      \$38,347,160

Coverage provided by Ohio School Plan is as follows:

Vehicle Liability	3,000,000
General Liability	
Each Incident	3,000,000
Per Aggregate	5,000,000
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 300 Ohio schools ("Members").

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

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

**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<b>2009</b>	<b>2008</b>
Assets	\$3,662,470	\$3,273,989
Liabilities	1,729,914	1,873,157
Members' Equity	<u>\$1,932,556</u>	<u>\$1,400,832</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 year 2009, 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.

**9. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

**Plan Description** – The School District contributes to 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 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).



**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on 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 DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP 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, 2009, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio 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 contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 was \$541,273, \$546,420, and \$544,537 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DCP and CP for fiscal year 2009 was \$350 from the District and \$110 by members.

**B. School Employees Retirement System**

**Plan Description** – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement 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 stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**Funding Policy** – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the School District was 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 2009, 9.09 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 contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$100,678, \$100,350, and \$110,625, respectively; 40 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2009, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**10. POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

**Plan Description** – The School District contributes to a cost-sharing multiple-employer defined benefit Health Care 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 STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Health Care 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 Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$450,592, \$452,107, and \$456,133 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

**B. School Employees Retirement System**

**Plan Description** – The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified 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 SERS 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 the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal 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 fiscal year 2009, 4.16 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 fiscal year 2009, the surcharge amount was \$82,215.

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 contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$45,942, \$45,573, and \$46,279, respectively; 40 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$7,254, \$7,230, and \$6,836 respectively; 40 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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, 2009, the reserve activity was as follows:

**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**11. STATUTORY RESERVES (Continued)**

	<b>Textbook Reserve</b>	<b>Capital Maintenance Reserve</b>
Carryover Balance, June 30, 2008	(\$445,187)	
Required Set-Aside	181,356	\$ 181,356
Qualifying Disbursements	(225,202)	(114,037)
Prior Year Offsets Carried Forward		(11,735,097)
Current Year Offsets		(38,127)
Balance June 30, 2009	(\$489,033)	(\$11,705,905)
Balance Carried Forward to FY10	(\$489,033)	
Offset Carried Forward to FY10		(\$11,705,905)

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 year.

**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.

**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 year 2009, the School District paid \$9,120. 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.

**PARKWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**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.

**West Central Ohio Special Education Regional Resource Center (“SERRC”)** - The SERRC is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents.

The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board.

Financial information can be obtained from Krista Hart, Treasurer, Hardin County Educational Service Center, 1121 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

**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 YEAR ENDED JUNE 30, 2009  
(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 YEAR ENDED JUNE 30, 2009  
(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, 2009.

**16. ADVANCES**

During the fiscal year ended June 30, 2009, the following advances in and out occurred:

<u>Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$ 5,000	\$ 5,000
Debt Service Fund	5,000	5,000
Total	<u>\$10,000</u>	<u>\$10,000</u>

The General Fund advanced \$5,000 to the Debt Service Fund for the financing of general operations in the Debt Service Fund. The Debt Service Fund repaid the advance in full during fiscal year 2009.

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# 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  
300 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 District) as of and for the years ended June 30, 2010 and 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 14, 2010, wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated October 14, 2010.

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

We intend this report solely for the information and use of management, the audit committee, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 14, 2010



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

#### Compliance

We have audited the compliance of Parkway Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Parkway Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

**Internal Control Over Compliance  
(Continued)**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 14, 2010

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	<b>No</b>
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.391 Special Education Grants to States - ARRA CFDA #84.394 State Fiscal Stabilization Fund - ARRA
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	<b>No</b>

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER - 2010-001**

**Noncompliance - Financial Reporting**

**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 District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements 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 District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District's annual financial statements should be prepared according to generally accepted accounting principles to include assets, liabilities, equity and the disclosures required to accurately and completely present the District's financial condition.

**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 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, 2010 and 2009**

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>
2008-001	ORC 117.38 and OAC 117-2-03 (B) – Preparation and filing of cash basis annual financial report.	No	Repeated as finding 2010-001

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Parkway Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on January 10, 2006.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 14, 2010



**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  
NOVEMBER 16, 2010**