



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups - June 30, 2002.....	4
Combined Statement of Revenues, Expenditures, and Changes In Fund Balances All Governmental Fund Types and Expendable Trust Fund – For the Fiscal Year Ended June 30, 2002 .....	6
Combined Statement of Revenues, Expenditures, and Changes In Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund - For the Fiscal Year Ended June 30, 2002 .....	8
Combined Statement of Revenues, Expenses, and Changes in Fund Equity Proprietary Fund Type and Nonexpendable Trust Fund For the Fiscal Year Ended June 30, 2002 .....	10
Combined Statement of Revenues, Expenses, and Changes in Fund Balances Budget (Non-GAAP Budgetary Basis) and Actual – Proprietary Fund Type and Nonexpendable Trust Fund - For the Fiscal Year Ended June 30, 2002.....	11
Combined Statement of Cash Flows - Proprietary Fund Type and Nonexpendable Trust Fund For the Fiscal Year Ended June 30, 2002 .....	12
Notes to the General-Purpose Financial Statements - June 30, 2002 .....	13
Combined Balance Sheet - All Fund Types and Account Groups - June 30, 2001.....	40
Combined Statement of Revenues, Expenditures, and Changes In Fund Balances All Governmental Fund Types and Expendable Trust Fund For the Fiscal Year Ended June 30, 2001 .....	42
Combined Statement of Revenues, Expenditures, and Changes In Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund - For the Fiscal Year Ended June 30, 2001 .....	44
Combined Statement of Revenues, Expenses, and Changes in Fund Equity Proprietary Fund Type and Nonexpendable Trust Fund For the Fiscal Year Ended June 30, 2001 .....	46
Combined Statement of Revenues, Expenses, and Changes in Fund Balances Budget (Non-GAAP Budgetary Basis) and Actual – Proprietary Fund Type and Nonexpendable Trust Fund - For the Fiscal Year Ended June 30, 2001 .....	47
Combined Statement of Cash Flows - Proprietary Fund Type and Nonexpendable Trust Fund For the Fiscal Year Ended June 30, 2001 .....	48
Notes to the General-Purpose Financial Statements - June 30, 2001 .....	49
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	75
Schedule of Findings.....	77

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Parkway Local School District  
Mercer County  
401 South Franklin Street  
Rockford, Ohio 45882-9040

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Parkway Local School District, Mercer County, (the District), as of and for the years ended June 30, 2002 and 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Parkway Local School District, Mercer County, as of June 30, 2002 and 2001, and the results of its operations and the cash flows of its proprietary fund type and non-expendable trust fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

November 18, 2002

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**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNTS GROUPS  
JUNE 30, 2002**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Assets and Other Debits:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,305,666	\$190,304	\$1,164	\$174,189
Cash and Cash Equivalents with Fiscal Agent			431	
Receivables:				
Property Taxes	1,860,256			98,274
Income Taxes	356,086			
Accounts	4,996	671		
Intergovernmental	1,557	29,574		9,237
Accrued Interest	1,592			
Prepaid Items	76,832			
Materials and Supplies Inventory Inventory Held for Resale				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	29,340			
Fixed Assets (net, where applicable, of accumulated depreciation)				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	<u>4,636,325</u>	<u>220,549</u>	<u>1,595</u>	<u>281,700</u>
<b>Liabilities, Fund Equity, and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	31,822	4,102		
Accrued Wages and Benefits	591,878	19,130		
Compensated Absences Payable	9,553			
Intergovernmental Payable	127,943	1,191		
Deferred Revenue	1,905,593	29,574		106,349
Undistributed Assets				
Due to Students				
Matured Interest Payable			431	
Asbestos Removal Loan Payable				
Total Liabilities	<u>2,666,789</u>	<u>53,997</u>	<u>431</u>	<u>106,349</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Contributed Capital				
Fund Balance:				
Reserved for Property Taxes	21,388			1,155
Reserved for Budget Stabilization	22,091			
Reserved for Bus Purchase	7,249			
Reserved for Contributions				
Reserved for Encumbrances	98,944	38,362		
Unreserved	1,819,864	128,190	1,164	174,196
Total Fund Equity and Other Credits	<u>1,969,536</u>	<u>166,552</u>	<u>1,164</u>	<u>175,351</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$4,636,325</u>	<u>\$220,549</u>	<u>\$1,595</u>	<u>\$281,700</u>

See Accompanying Notes to the General Purpose Financial Statements



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$81,289	\$69,885			\$2,822,497
				431
				1,958,530
				356,086
46				5,713
10,599				50,967
	377			1,969
2,936				79,768
1,618				1,618
13,979				13,979
				29,340
138,940		7,383,623		7,522,563
			1,164	1,164
			426,142	426,142
<u>249,407</u>	<u>70,262</u>	<u>7,383,623</u>	<u>427,306</u>	<u>13,270,767</u>
257				\$36,181
22,472				633,480
10,276			377,042	396,871
13,468			49,100	191,702
				2,041,516
	4,081			4,081
	34,380			34,380
				431
			1,164	1,164
<u>46,473</u>	<u>38,461</u>		<u>427,306</u>	<u>3,339,806</u>
		7,383,623		7,383,623
195,780				195,780
7,154				7,154
				22,543
				22,091
				7,249
	1,970			1,970
				137,306
	29,831			2,153,245
<u>202,934</u>	<u>31,801</u>	<u>7,383,623</u>		<u>9,930,961</u>
<u>\$249,407</u>	<u>\$70,262</u>	<u>\$7,383,623</u>	<u>\$427,306</u>	<u>\$13,270,767</u>

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
<b>Revenues:</b>						
Property Taxes	\$1,798,227			\$102,183		\$1,900,410
Income Taxes	848,698					848,698
Intergovernmental	4,545,905	328,172		101,922		4,975,999
Interest	100,647				3,169	103,816
Tuition and Fees	113,448					113,448
Extracurricular Activities		154,505				154,505
Gifts and Donations	5,345	7,101		8,000	16,467	36,913
Miscellaneous	8,403	113,704				122,107
Total Revenues	<u>7,420,673</u>	<u>603,482</u>		<u>212,105</u>	<u>19,636</u>	<u>8,255,896</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,419,948	152,928				3,572,876
Special	985,527	192,021				1,177,548
Vocational	209,404					209,404
Support Services:						
Pupils	191,490	2,223				193,713
Instructional Staff	382,351	19,725		15,500		417,576
Board of Education	16,475					16,475
Administration	647,389	123,727				771,116
Fiscal	208,646	1,896		2,306		212,848
Operation and Maintenance of Plant	623,409			3,528		626,937
Pupil Transportation	486,737	349				487,086
Central	18,408	12,854				31,262
Extracurricular Activities	171,846	195,758				367,604
Non-Instructional Services					6,060	6,060
Capital Outlay	27,915	5,180		113,623		146,718
Debt Service:						
Principal Retirement			5,000			5,000
Interest and Fiscal Charges				409		409
Total Expenditures	<u>7,389,545</u>	<u>706,661</u>	<u>5,000</u>	<u>135,366</u>	<u>6,060</u>	<u>8,242,632</u>
Excess of Revenues Over (Under) Expenditures	<u>31,128</u>	<u>(103,179)</u>	<u>(5,000)</u>	<u>76,739</u>	<u>13,576</u>	<u>13,264</u>
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In			6,164	18,125		24,289
Operating Transfers Out	(6,164)		(18,125)			(24,289)
Total Other Financing Sources (Uses)	<u>(6,164)</u>		<u>(11,961)</u>	<u>18,125</u>		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>24,964</u>	<u>(103,179)</u>	<u>(16,961)</u>	<u>94,864</u>	<u>13,576</u>	<u>13,264</u>
Fund Balances at Beginning of Year	1,944,572	269,731	18,125	80,487	6,086	2,319,001
Fund Balances at End of Year	<u>\$1,969,536</u>	<u>\$166,552</u>	<u>\$1,164</u>	<u>\$175,351</u>	<u>\$19,662</u>	<u>\$2,332,265</u>

See Accompanying Notes to the General Purpose Financial Statements

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**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,745,958	\$1,794,412	\$48,454			
Income Taxes	879,314	879,310	(4)			
Intergovernmental	4,524,569	4,545,751	21,182	237,692	231,366	(6,326)
Interest	104,479	102,698	(1,781)			
Tuition and Fees	112,812	113,349	537			
Extracurricular Activities				146,500	153,957	7,457
Gifts and Donations	2,500	5,345	2,845	11,646	11,097	(549)
Miscellaneous	11,750	11,614	(136)	112,800	113,704	904
Total Revenues	<u>7,381,382</u>	<u>7,452,479</u>	<u>71,097</u>	<u>508,638</u>	<u>510,124</u>	<u>1,486</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,563,400	3,476,833	86,567	192,980	163,354	29,626
Special	1,000,630	981,849	18,781	83,870	81,054	2,816
Vocational	226,886	207,686	19,200			
Support Services:						
Pupils	198,865	191,199	7,666	6,728	2,223	4,505
Instructional Staff	408,075	383,525	24,550	35,339	21,305	14,034
Board of Education	21,175	19,321	1,854			
Administration	697,557	656,128	41,429	138,133	128,659	9,474
Fiscal	226,776	216,771	10,005	2,737	1,779	958
Operation and Maintenance of Plant	725,210	629,574	95,636			
Pupil Transportation	573,882	496,217	77,665	349	349	
Central	24,654	18,248	6,406	12,854	12,854	
Extracurricular Activities	170,420	168,644	1,776	224,192	217,371	6,821
Non-Instructional Services						
Capital Outlay	247,634	27,915	219,719	10,800	6,980	3,820
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	<u>8,085,164</u>	<u>7,473,910</u>	<u>611,254</u>	<u>707,982</u>	<u>635,928</u>	<u>72,054</u>
Excess of Revenues Over (Under) Expenditures	<u>(703,782)</u>	<u>(21,431)</u>	<u>682,351</u>	<u>(199,344)</u>	<u>(125,804)</u>	<u>73,540</u>
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	321	321				
Refund of Prior Year Receipts	(3,500)	(3,356)	144	(1,146)	(1,140)	6
Advances In		10,000	10,000			
Advances Out	(15,898)	(10,000)	5,898			
Operating Transfers In						
Operating Transfers Out	(6,250)	(6,164)	86			
Total Other Financing Sources (Uses)	<u>(25,327)</u>	<u>(9,199)</u>	<u>16,128</u>	<u>(1,146)</u>	<u>(1,140)</u>	<u>6</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(729,109)</u>	<u>(30,630)</u>	<u>698,479</u>	<u>(200,490)</u>	<u>(126,944)</u>	<u>73,546</u>
Fund Balances at Beginning of Year	2,145,435	2,145,435		237,915	237,915	
Prior Year Encumbrances Appropriated	95,057	95,057		36,869	36,869	
Fund Balances at End of Year	<u>\$1,511,383</u>	<u>\$2,209,862</u>	<u>\$698,479</u>	<u>\$74,294</u>	<u>\$147,840</u>	<u>\$73,546</u>

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$24,107	\$24,107		\$102,428	\$77,873	(\$24,555)			
			107,094	107,016	(78)	254	3,016	2,762
			8,000	8,000		18,612	16,467	(2,145)
<u>24,107</u>	<u>24,107</u>		<u>217,522</u>	<u>192,889</u>	<u>(24,633)</u>	<u>18,866</u>	<u>19,483</u>	<u>617</u>
			56,449	54,823	1,626			
			77,005	68,506	8,499			
			3,284	2,306	978			
			11,000	9,322	1,678			
			50,000		50,000	6,060	6,060	
46,250	46,250							
982	982							
<u>47,232</u>	<u>47,232</u>		<u>197,738</u>	<u>134,957</u>	<u>62,781</u>	<u>6,060</u>	<u>6,060</u>	
(23,125)	(23,125)		19,784	57,932	38,148	12,806	13,423	617
6,164	6,164							
<u>6,164</u>	<u>6,164</u>							
(16,961)	(16,961)		19,784	57,932	38,148	12,806	13,423	617
18,125	18,125		101,157	101,157		6,086	6,086	
			15,100	15,100				
<u>\$1,164</u>	<u>\$1,164</u>	<u>\$0</u>	<u>\$136,041</u>	<u>\$174,189</u>	<u>\$38,148</u>	<u>\$18,892</u>	<u>\$19,509</u>	<u>\$617</u>

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND EQUITY  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
<b>Operating Revenues:</b>			
Sales	\$204,043		\$204,043
Tuition	30,330		30,330
Interest		606	606
Gifts and Donations		1,020	1,020
Other Operating Revenues	335		335
Total Operating Revenues	<u>234,708</u>	<u>1,626</u>	<u>236,334</u>
<b>Operating Expenses:</b>			
Salaries	139,611		139,611
Fringe Benefits	50,041		50,041
Purchased Services	16,370		16,370
Materials and Supplies	14,841		14,841
Cost of Sales	174,678		174,678
Depreciation	15,120		15,120
Other Operating Expenses	2,200	661	2,861
Total Operating Expenses	<u>412,861</u>	<u>661</u>	<u>413,522</u>
Operating Income (Loss)	<u>(178,153)</u>	<u>965</u>	<u>(177,188)</u>
<b>Non-Operating Revenues:</b>			
Federal Donated Commodities	39,077		39,077
Operating Grants	107,353		107,353
Interest	2,200		2,200
Total Non-Operating Revenues	<u>148,630</u>		<u>148,630</u>
Net Income (Loss)	(29,523)	965	(28,558)
Retained Earnings/Fund Balance at Beginning of Year (Restated - Note 3)	<u>225,303</u>	<u>11,174</u>	<u>236,477</u>
Retained Earnings/Fund Balance at End of Year	195,780	12,139	207,919
Contributed Capital at Beginning and End of Year	<u>7,154</u>		<u>7,154</u>
Total Fund Equity at End of Year	<u>\$202,934</u>	<u>\$12,139</u>	<u>\$215,073</u>

*See Accompanying Notes to the General Purpose Financial Statements.*

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Enterprise Funds</u>			<u>Nonexpendable Trust Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>						
Sales	\$205,100	\$203,780	(\$1,320)			
Tuition	28,000	30,487	2,487			
Interest	2,350	2,200	(150)	380	391	11
Gifts and Donations				500	1,020	520
Operating Grants	86,000	97,308	11,308			
Other Revenues	335	335				
Total Revenues	<u>321,785</u>	<u>334,110</u>	<u>12,325</u>	<u>880</u>	<u>1,411</u>	<u>531</u>
<b>Expenses:</b>						
Salaries	148,820	139,791	9,029			
Fringe Benefits	51,030	48,621	2,409			
Purchased Services	21,939	16,750	5,189			
Materials and Supplies	175,666	151,071	24,595			
Capital Outlay	50,390	38,968	11,422			
Other Expenses	3,800	2,200	1,600	661	661	
Total Expenses	<u>451,645</u>	<u>397,401</u>	<u>54,244</u>	<u>661</u>	<u>661</u>	
Excess of Revenues Over (Under) Expenses	(129,860)	(63,291)	66,569	219	750	531
Advances In	10,000	10,000				
Advances Out	<u>(10,000)</u>	<u>(10,000)</u>				
Excess of Revenues Over (Under) Advances	(129,860)	(63,291)	66,569	219	750	531
Fund Balances at Beginning of Year	136,248	136,248		11,012	11,012	
Prior Year Encumbrances Appropriated	7,917	7,917				
Fund Balances at End of Year	<u>\$14,305</u>	<u>\$80,874</u>	<u>\$66,569</u>	<u>\$11,231</u>	<u>\$11,762</u>	<u>\$531</u>

See Accompanying Notes to the General Purpose Financial Statements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$234,267		\$234,267
Cash Received from Gifts and Donations		1,020	1,020
Cash Payments for Salaries	(139,791)		(139,791)
Cash Payments for Fringe Benefits	(48,621)		(48,621)
Cash Payments for Goods and Services	(170,821)		(170,821)
Cash Received from Other Revenues	335		335
Cash Payments for Other Expenses	(2,200)	(661)	(2,861)
Net Cash Provided by (Used for) Operating Activities	<u>(126,831)</u>	<u>359</u>	<u>(126,472)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Cash Payments for Fixed Assets	<u>(35,553)</u>		<u>(35,553)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash Received from Operating Grants	97,308		97,308
Cash Received from Advances In	10,000		10,000
Cash Paid for Advances Out	(10,000)		(10,000)
Net Cash Provided by Noncapital Financing Activities	<u>97,308</u>		<u>97,308</u>
<b>Cash Flows from Investing Activities:</b>			
Cash Received from Interest	<u>2,200</u>	<u>391</u>	<u>2,591</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(62,876)	750	(62,126)
Cash and Cash Equivalents at Beginning of Year	<u>144,165</u>	<u>11,012</u>	<u>155,177</u>
Cash and Cash Equivalents at End of Year	<u>81,289</u>	<u>11,762</u>	<u>93,051</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	(178,153)	965	(177,188)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Depreciation	15,120		15,120
Donated Commodities Received During Year	39,077		39,077
Interest Reported as Operating Income		(606)	(606)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	125		125
Increase in Intergovernmental Receivable	(231)		(231)
Increase in Prepaid Items	(1,040)		(1,040)
Increase in Materials and Supplies Inventory	(674)		(674)
Increase in Inventory Held for Resale	(3,592)		(3,592)
Increase in Accounts Payable	257		257
Increase in Accrued Wages and Benefits	3,547		3,547
Decrease in Compensated Absences Payable	(1,842)		(1,842)
Increase in Intergovernmental Payable	575		575
Net Cash Provided by (Used for) Operating Activities	<u>(\$126,831)</u>	<u>\$359</u>	<u>(\$126,472)</u>

**Non-Cash Transactions**

During fiscal year 2002, the School District received donated commodities in the Food Service enterprise fund, in the amount of \$39,077.

**Reconciliation of Nonexpendable Trust Fund Cash and Cash Equivalents to Balance Sheet:**

Cash and Cash Equivalents - All Fiduciary Fund Types	\$69,885
Less Agency Funds	(38,461)
Less Expendable Trust Fund	(19,662)
Cash and Cash Equivalents - Nonexpendable Trust Fund	<u>\$11,762</u>

See Accompanying Notes to the General Purpose Financial Statements.



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**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 and 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, and Blackcreek, Dublin, Hopewell, Liberty, Salem, Union, and Willshire Townships. The School District is the 451st largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by forty-six classified employees, eighty certified teaching personnel, and seven administrative employees who provide services to 1,252 students and other community members. The School District currently operates three instructional buildings and three bus garages.

**A. Reporting Entity:**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Parkway Local School District, this includes general operations, food service, 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 five jointly governed organizations and three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, the 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 NOACSC Workers' Compensation Group Rating Plan, the Mercer Auglaize Employee Benefit Trust, and the Rockford Carnegie Public Library. These organizations are presented in Notes 19, 20, and 21 to the general purpose financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Parkway Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

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

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

**General Fund** - The General Fund is the operating fund of the School District and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund** - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

**Capital Projects Funds** - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**2. Proprietary Fund Type:**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Enterprise Funds** - Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**3. 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. These include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group** - This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds or trust funds.

**General Long-Term Obligations Account Group** - This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

The proprietary fund type and nonexpendable trust fund are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary fund type and nonexpendable trust fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are deemed both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and donations.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis, expenses are recognized at the time they are incurred.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Title VI-B special revenue fund is a flow through grant in which the Mercer County Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

**1. Tax Budget:**

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Mercer County Budget Commission for rate determination.

**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 revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal 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 of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**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 no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels 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 expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations as 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 appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds and funds held by the Mercer County Educational Service Center, consistent with statutory provisions.

**4. Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund and reported in the notes to the financial statements for the proprietary fund type and nonexpendable trust fund.

**5. Lapsing of Appropriations:**

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

**D. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents held for the School District by Community First Bank, who services the School District's bond/coupon payments, are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

During fiscal year 2002, investments were limited to non-negotiable certificates of deposit and STAR Ohio. Non-negotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

The School District has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2002 was \$100,647, which included \$14,254 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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, and not purchased from the pool, are reported as investments.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which the services are consumed.

**F. Inventory**

Inventory in the proprietary funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory consists of donated and purchased food and is expensed when used.

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after twenty years of service with the School District; after fifteen years of service with the School District if they are forty-five years of age; or after ten years of service with the School District if they are fifty years of age.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than sixty days after fiscal year end are considered not to have used current available expendable resources. The long-term loan is reported as a liability in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the appropriate fund.



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**K. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the proprietary funds prior to fiscal year 2001 that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Capital contributions received from other governments and private sources subsequent to fiscal year 2000 are recorded as revenues and reported as retained earnings.

**L. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, budget stabilization, bus purchase, contributions, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for contributions signifies legal restrictions on the use of principal in the nonexpendable trust fund.

**M. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**N. Estimates**

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

**O. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2002, the School District is recognizing donated commodities as revenue when they are received. In prior years, the School District reported donated commodities as revenue when used. For the enterprise fund, retained earnings increased \$5,712 from \$219,591 to \$225,303.

**4. ACCOUNTABILITY**

At June 30, 2002, the Title I special revenue fund had a deficit fund balance of \$6,990. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Preschool enterprise fund had deficit retained earnings of \$112 due to expenses exceeding the amount charged for tuition. The School District is reviewing the operation of this fund.

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund Type and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the proprietary fund type and nonexpendable trust fund (GAAP basis).
4. For proprietary funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District repays tax anticipation note principal and interest from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.
6. Although not part of the appropriated budget, the Title VI-B special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Fund  
Governmental Fund Types**

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Expendable Trust</b>
GAAP Basis	\$24,964	(\$103,179)	(\$16,961)	\$94,864	\$13,576
<u>Increase (Decrease) Due To:</u>					
Revenue Accruals:					
Accrued FY 2001, Received in Cash FY 2002	351,021	19,709		6,053	
Accrued FY 2002, Not Yet Received in Cash	(318,894)	(671)		(1,162)	
Expenditure Accruals:					
Accrued FY 2001, Paid in Cash FY 2002	(708,412)	(24,762)		(573)	
Accrued FY 2002, Not Yet Paid in Cash	761,196	24,423			
Cash Accruals:					
Unrecorded Activity FY 2002					(153)
Prepaid Items	(15,361)				
Note Principal			(41,250)		
Note Interest			(982)	982	
Advances In	10,000				
Advances Out	(10,000)				
Reallocation of Debt Activity			42,232	(42,232)	
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	<u>(125,144)</u>	<u>(42,464)</u>	<u>          </u>	<u>          </u>	<u>          </u>
Budget Basis	<u><u>(\$30,630)</u></u>	<u><u>(\$126,944)</u></u>	<u><u>(\$16,961)</u></u>	<u><u>\$57,932</u></u>	<u><u>\$13,423</u></u>

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

	<b>Proprietary Fund Type</b>	
	<b>Enterprise</b>	<b>Nonexpendable Trust</b>
Net Income (Loss)/Excess of Revenues Over (Under) Expenses and Advances Proprietary Fund Type and Nonexpendable Trust Fund		
GAAP Basis	(\$29,523)	\$965
<u>Increase (Decrease) Due to:</u>		
Revenue Accruals:		
Accrued FY 2001, Received in Cash FY 2002	494	162
Accrued FY 2002, Not Yet Received in Cash	(10,645)	(377)
Expense Accruals:		
Accrued FY 2001, Paid in Cash FY 2002	(43,936)	
Accrued FY 2002, Not Yet Paid in Cash	46,473	
Prepaid Items	(1,040)	
Materials and Supplies Inventory	(674)	
Inventory Held for Resale	(3,592)	
Advances In	10,000	
Advances Out	(10,000)	
Acquisition of Fixed Assets	(35,553)	
Depreciation Expense	15,120	
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(415)	
Budget Basis	<u>(\$63,291)</u>	<u>\$750</u>

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

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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 the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$49,584 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$2,190,607 and the bank balance was \$2,540,497. Of the bank balance, \$313,765 was covered by federal depository insurance and \$2,226,732 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or the School District's agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2002, the fair value of funds on deposit with STAR Ohio was \$612,077.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$2,852,268	\$0
Cash on Hand	(49,584)	0
Investments:		
STAR Ohio	(612,077)	612,077
GASB Statement No. 3	\$2,190,607	\$612,077

**7. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**7. PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. 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 School District prior to June 30. This year the settlement was delayed beyond fiscal year end.

The School District receives property taxes from Auglaize, Mercer, and Van Wert Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding, the late personal property tax settlement, and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 and the delayed personal property tax settlement are intended to finance current fiscal year operations and are reflected as revenue at year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$21,388 in the General Fund and \$1,155 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2001, was \$17,708 in the General Fund and \$959 in the Permanent Improvement capital projects fund.

The late tax settlement made by the Counties for fiscal year 2002, was \$135 in the General Fund and \$7 in the Permanent Improvement capital projects fund.

The assessed values upon which the fiscal year 2002 taxes were collected are:

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**7. PROPERTY TAXES (Continued)**

	<b>2001 Second- Half Collections</b>		<b>2002 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$71,802,790	84.18%	\$72,479,440	83.58%
Industrial/Commercial	4,370,720	5.12	4,462,730	5.15
Public Utility	5,123,910	6.01	5,104,600	5.89
Tangible Personal	4,003,270	4.69	4,666,710	5.38
Total Assessed Value	<u>\$85,300,690</u>	<u>100.00%</u>	<u>\$86,713,480</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$31.87		\$31.87	

**8. INCOME TAXES**

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2001, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**9. RECEIVABLES**

Receivables at June 30, 2002, consisted of both property and income taxes, accounts (student fees and billings for user charged services), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Accounts receivable at June 30 were \$5,713.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amounts</b>
General Fund	
Pupil Transportation	\$1,557
Special Revenue Funds	
Eisenhower	600
Title VI	4,498
Drug Free	3,749
Title VI-R	20,727
Total Special Revenue Funds	<u>29,574</u>
Capital Projects Fund	
Vocational Education Equipment	<u>9,237</u>
Enterprise Fund	
Food Service	
Federal and State Subsidies	10,045
Mercer County Headstart	554
Total Enterprise Fund	<u>10,599</u>
Total	<u><u>\$50,967</u></u>



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**10. FIXED ASSETS**

A summary of the proprietary funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$243,004
Less Accumulated Depreciation	(104,064)
Net Fixed Assets	\$138,940

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Land and Improvements	\$383,720	\$34,894	\$0	\$418,614
Buildings and Improvements	4,184,459	8,199	0	4,192,658
Furniture, Fixtures, and Equipment	1,532,654	231,935	14,219	1,750,370
Vehicles	936,646	133,495	48,160	1,021,981
Totals	\$7,037,479	\$408,523	\$62,379	\$7,383,623

**11. RISK MANAGEMENT**

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 2002, the School District contracted for the following insurance coverage.

Coverage provided by Indiana Insurance is as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$23,367,452
Boiler and Machinery	23,367,452

Coverage provided by Nationwide Insurance is as follows:

Vehicle Liability	2,000,000
Uninsured Motorists	2,000,000

Coverage provided by Ohio School Plan is as follows:

General Liability	
Per Year	1,000,000
Per Aggregate	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2002, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

For fiscal year 2002, the School District participated in NOACSC Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

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, prescription drug, and dental 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.

**12. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$338,783, \$321,853, and \$191,336, respectively; 82 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$62,217, is recorded as a liability within the respective funds.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**B. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$47,447, \$34,650, and \$42,464, respectively; 42 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$27,364, is recorded as a liability within the respective funds and the general long-term obligations account group.

**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, 2002, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**13. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$160,476.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$85,800 for fiscal year 2002.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**14. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to administrators and classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty-five days for all personnel. Upon retirement, payment is made for one-fourth of one hundred ninety days of accrued, but unused sick leave credit, plus one additional day for each year of service in excess of twenty years, to a maximum of sixty days.

**B. Health Care Benefits**

The School District provides medical, prescription drug, and dental insurance to employees through the Mercer Auglaize Employee Benefit Trust. The premium varies with each employee depending on marital and family status. The School District provides life insurance to employees through CoreSource.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**15. NOTES PAYABLE**

On February 3, 2000, the School District issued tax anticipation notes, in the amount of \$82,500, to acquire land. The notes had an interest rate of 4.75 percent. During fiscal year 2002, principal, in the amount of \$41,250, was paid, which fully retired the notes.

**16. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<b>Balance at 6/30/01</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/02</b>
1992 Asbestos Removal Loan Payable	\$6,164	\$0	\$5,000	\$1,164
Compensated Absences Payable	360,559	16,483	0	377,042
Intergovernmental Payable	54,225	49,100	54,225	49,100
Total General Long-Term Obligations	<u>\$420,948</u>	<u>\$65,583</u>	<u>\$59,225</u>	<u>\$427,306</u>

**1992 Asbestos Removal Loan** - In fiscal year 1992, the School District obtained an interest free loan, in the amount of \$53,664, for asbestos removal. The loan was issued for a ten year period, with final maturity in fiscal year 2003. The loan is being retired through the Bond Retirement debt service fund.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$7,804,213 with an unvoted debt margin of \$86,713 at June 30, 2002.

At June 30, 2002, the principal requirement to retire the asbestos removal loan in fiscal year 2003 was \$1,164.

**17. SET ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2002, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**17. SET ASIDE REQUIREMENTS (Continued)**

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2001	(\$134,297)	\$0	\$22,091
Current Year Set Aside Requirement	139,776	139,776	0
Qualifying Expenditures	(192,375)	(139,776)	0
Balance Carried Forward to Fiscal Year 2003	(\$186,896)	\$0	\$22,091
Reserve Balance June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$22,091</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance at the end of fiscal year 2002 was \$22,091.

**18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and preschool. The table below reflects the more significant financial data relating to the enterprise funds of the Parkway Local School District as of and for the fiscal year ended June 30, 2002.

	<u>Food Service</u>	<u>Preschool</u>	<u>Total</u>
Operating Revenues	\$204,378	\$30,330	\$234,708
Depreciation Expense	15,120		15,120
Operating Income (Loss)	(185,884)	7,731	(178,153)
Federal Donated Commodities	39,077		39,077
Operating Grants	107,353		107,353
Net Income (Loss)	(37,254)	7,731	(29,523)
Fixed Asset Additions	35,553		35,553
Net Working Capital	64,106	(112)	63,994
Total Assets	244,666	4,741	249,407
Total Equity (Deficit)	203,046	(112)	202,934
Encumbrances Outstanding at Year End (Budget Basis)	415		415

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**19. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (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 the 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 2002, the School District paid \$8,353 to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

**B. Vantage 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.

**C. West Central Regional Professional Development Center**

The West Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish 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.

**D. West Central Ohio Special Education Regional Resource Center**

The West Central Ohio Special Education Regional Resource Center (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, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**E. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (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.

**20. INSURANCE 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 president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**B. NOACSC Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool. The Safety Coordinator, Robert Lotz of NOACSC, or his designee serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

**C. 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 participants' superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**20. INSURANCE POOLS (Continued)**

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.

**21. 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.

**22. STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution was not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**23. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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, 2002.

**B. Litigation**

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

**24. SUBSEQUENT EVENTS**

On November 5, 2002, a bond issue was passed for (1) the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program in the principal amount of \$7,213,000, to be repaid annually over a maximum of 28 years and an annual levy of property taxes to be made outside the ten-mill limitation, estimated by the county auditor to average over the repayment period of the bond issue 5.1 mills for each one dollar of tax valuation, commencing in 2002, first due in calendar year 2003, to pay the annual debt charges on the bonds and to pay debt charges on notes issued in anticipation of the bonds, and (2) constructing and improving school facilities, including providing for an auditorium, flooring, an expanded gymnasium, additional vocational agricultural and industrial arts space, and additional locker room, weight room and storage space, together with necessary furnishings and equipment, and all necessary appurtenances thereto in the principal amount of \$4,537,000 to be repaid annually over a maximum period of 28 years and an annual levy of property taxes to be made outside the ten-mill limitation, estimated by the county auditor to average over the repayment period of the bond issue 3.2 mills for each one dollar of tax valuation, commencing in 2002, first due in calendar year 2003, to pay the annual debt charges on the bonds and to pay debt charges on notes issued in anticipation of the bonds, and (3) to levy additional taxes to pay the cost of maintaining the classroom facilities included in the project, at a rate of one-half mill for each one dollar of valuation, for a period of 23 years, commencing in 2002, first due in calendar year 2003.

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**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,148,008	\$274,784	\$18,125	\$116,257
Cash and Cash Equivalents with Fiscal Agent			431	
Receivables:				
Property Taxes	1,797,501			83,198
Income Taxes	325,450			
Accounts	7,712	123		
Intergovernmental	1,403	25,648		5,094
Accrued Interest	2,114			
Prepaid Items	61,471			
Materials and Supplies Inventory Inventory Held for Resale				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	92,484			
Fixed Assets (net, where applicable, of accumulated depreciation)				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	4,436,143	300,555	18,556	204,549
<b>Liabilities, Fund Equity, and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	23,973	2,537		
Accrued Wages and Benefits	563,921	20,164		
Compensated Absences Payable	8,240			
Intergovernmental Payable	112,278	2,061		
Deferred Revenue	1,783,159	6,062		82,239
Undistributed Assets				
Due to Students				
Matured Interest Payable			431	
Accrued Interest Payable				573
Notes Payable				41,250
Asbestos Removal Loan Payable				
Total Liabilities	2,491,571	30,824	431	124,062
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Contributed Capital				
Fund Balance:				
Reserved for Property Taxes	17,708			959
Reserved for Budget Stabilization	22,091			
Reserved for Bus Purchase	70,393			
Reserved for Contributions				
Reserved for Encumbrances	78,729	34,368		15,100
Unreserved	1,755,651	235,363	18,125	64,428
Total Fund Equity and Other Credits	1,944,572	269,731	18,125	80,487
Total Liabilities, Fund Equity, and Other Credits	\$4,436,143	\$300,555	\$18,556	\$204,549

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$144,165	\$52,170			\$2,753,509
				431
				1,880,699
				325,450
171				8,006
323				32,468
	162			2,276
1,896				63,367
944				944
10,387				10,387
				92,484
118,507		7,037,479		7,155,986
			18,125	18,125
			402,823	402,823
<u>276,393</u>	<u>52,332</u>	<u>7,037,479</u>	<u>420,948</u>	<u>12,746,955</u>
				26,510
18,925				603,010
12,118			360,559	380,917
12,893			54,225	181,457
5,712				1,877,172
	4,575			4,575
	30,497			30,497
				431
				573
				41,250
			6,164	6,164
<u>49,648</u>	<u>35,072</u>	<u></u>	<u>420,948</u>	<u>3,152,556</u>
		7,037,479		7,037,479
219,591				219,591
7,154				7,154
				18,667
				22,091
				70,393
	1,450			1,450
				128,197
	15,810			2,089,377
<u>226,745</u>	<u>17,260</u>	<u>7,037,479</u>	<u></u>	<u>9,594,399</u>
<u>\$276,393</u>	<u>\$52,332</u>	<u>\$7,037,479</u>	<u>\$420,948</u>	<u>\$12,746,955</u>

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Revenues:</b>						
Property Taxes	\$1,793,699			\$95,530		\$1,889,229
Income Taxes	917,774					917,774
Intergovernmental	4,204,578	466,116		66,998		4,737,692
Interest	168,202				72	168,274
Tuition and Fees	150,151					150,151
Extracurricular Activities		169,005				169,005
Gifts and Donations	4,087	37,914		8,000	5,973	55,974
Miscellaneous	36,217	107,052				143,269
Total Revenues	<u>7,274,708</u>	<u>780,087</u>		<u>170,528</u>	<u>6,045</u>	<u>8,231,368</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,236,330	96,813		5,287		3,338,430
Special	888,226	171,306				1,059,532
Vocational	192,226					192,226
Support Services:						
Pupils	184,374	3,449				187,823
Instructional Staff	348,301	30,741				379,042
Board of Education	16,156					16,156
Administration	648,328	140,509				788,837
Fiscal	226,140	1,398		2,376		229,914
Operation and Maintenance of Plant	634,000			6,611		640,611
Pupil Transportation	416,372	249				416,621
Central	10,258	10,000				20,258
Extracurricular Activities	145,733	152,067				297,800
Non-Instructional Services					8,800	8,800
Capital Outlay		5,076		77,270		82,346
Debt Service:						
Principal Retirement			5,000			5,000
Interest and Fiscal Charges			977	2,532		3,509
Total Expenditures	<u>6,946,444</u>	<u>611,608</u>	<u>5,977</u>	<u>94,076</u>	<u>8,800</u>	<u>7,666,905</u>
Excess of Revenues Over (Under) Expenditures	<u>328,264</u>	<u>168,479</u>	<u>(5,977)</u>	<u>76,452</u>	<u>(2,755)</u>	<u>564,463</u>
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In		5,000	100	4,900		10,000
Operating Transfers Out	(10,000)					(10,000)
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>5,000</u>	<u>100</u>	<u>4,900</u>		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>318,264</u>	<u>173,479</u>	<u>(5,877)</u>	<u>81,352</u>	<u>(2,755)</u>	<u>564,463</u>
Fund Balances (Deficit) at Beginning of Year	<u>1,626,308</u>	<u>96,252</u>	<u>24,002</u>	<u>(865)</u>	<u>8,841</u>	<u>1,754,538</u>
Fund Balances at End of Year	<u>\$1,944,572</u>	<u>\$269,731</u>	<u>\$18,125</u>	<u>\$80,487</u>	<u>\$6,086</u>	<u>\$2,319,001</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET(NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,754,427	\$1,798,683	\$44,256			
Income Taxes	875,121	883,478	8,357			
Intergovernmental	4,162,063	4,205,475	43,412	362,657	348,788	(13,869)
Interest	166,411	168,013	1,602			
Tuition and Fees	150,236	150,037	(199)			
Extracurricular Activities				166,300	168,882	2,582
Gifts and Donations	4,457	4,087	(370)	33,711	33,918	207
Miscellaneous	8,023	12,588	4,565	118,600	107,052	(11,548)
Total Revenues	<u>7,120,738</u>	<u>7,222,361</u>	<u>101,623</u>	<u>681,268</u>	<u>658,640</u>	<u>(22,628)</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,356,809	3,266,597	90,212	232,167	106,324	125,843
Special	906,916	886,892	20,024	79,635	69,696	9,939
Vocational	209,511	192,151	17,360			
Support Services:						
Pupils	185,358	179,990	5,368	5,276	3,449	1,827
Instructional Staff	359,231	344,772	14,459	36,838	35,625	1,213
Board of Education	16,895	16,190	705			
Administration	683,012	657,376	25,636	149,557	141,081	8,476
Fiscal	237,357	235,113	2,244	2,480	1,398	1,082
Operation and Maintenance of Plant	691,545	647,597	43,948			
Pupil Transportation	439,692	409,025	30,667	2,162	249	1,913
Central	11,987	11,283	704	10,000	10,000	
Extracurricular Activities	125,724	145,673	(19,949)	180,594	172,617	7,977
Non-Instructional Services						
Capital Outlay				23,202	8,876	14,326
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	<u>7,224,037</u>	<u>6,992,659</u>	<u>231,378</u>	<u>721,911</u>	<u>549,315</u>	<u>172,596</u>
Excess of Revenues Over (Under) Expenditures	<u>(103,299)</u>	<u>229,702</u>	<u>333,001</u>	<u>(40,643)</u>	<u>109,325</u>	<u>149,968</u>
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	14,080	20,046	5,966			
Refund of Prior Year Receipts	(58)	(39)	19	(30)	(23)	7
Advances In	18,586	23,586	5,000	15,590	15,590	
Advances Out	(16,218)	(15,590)	628		(23,586)	(23,586)
Operating Transfers In					5,000	5,000
Operating Transfers Out	(5,000)	(10,000)	(5,000)			
Total Other Financing Sources (Uses)	<u>11,390</u>	<u>18,003</u>	<u>6,613</u>	<u>15,560</u>	<u>(3,019)</u>	<u>(18,579)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(91,909)</u>	<u>247,705</u>	<u>339,614</u>	<u>(25,083)</u>	<u>106,306</u>	<u>131,389</u>
Fund Balances at Beginning of Year	1,784,011	1,784,011		103,981	103,981	
Prior Year Encumbrances Appropriated	113,719	113,719		27,628	27,628	
Fund Balances at End of Year	<u>\$1,805,821</u>	<u>\$2,145,435</u>	<u>\$339,614</u>	<u>\$106,526</u>	<u>\$237,915</u>	<u>\$131,389</u>

See Accompanying Notes to the General Purpose Financial Statements.



Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$44,186	\$38,309	(\$5,877)	\$50,843	\$57,490	\$6,647			
			95,894	61,904	(33,990)	78	72	(6)
			7,272	8,000	728	4,622	5,973	1,351
<u>44,186</u>	<u>38,309</u>	<u>(5,877)</u>	<u>154,009</u>	<u>127,394</u>	<u>(26,615)</u>	<u>4,700</u>	<u>6,045</u>	<u>1,345</u>
			67,114	59,322	7,792			
			29,000	24,000	5,000			
			5,500	5,194	306			
			15,400	14,000	1,400			
			4,200	4,128	72			
						8,800	8,800	
46,250	46,250							
2,936	2,936							
<u>49,186</u>	<u>49,186</u>		<u>121,214</u>	<u>106,644</u>	<u>14,570</u>	<u>8,800</u>	<u>8,800</u>	
<u>(5,000)</u>	<u>(10,877)</u>	<u>(5,877)</u>	<u>32,795</u>	<u>20,750</u>	<u>(12,045)</u>	<u>(4,100)</u>	<u>(2,755)</u>	<u>1,345</u>
5,000	5,000							
<u>5,000</u>	<u>5,000</u>							
	(5,877)	(5,877)	32,795	20,750	(12,045)	(4,100)	(2,755)	1,345
24,002	24,002		51,521	51,521		8,841	8,841	
			28,886	28,886				
<u>\$24,002</u>	<u>\$18,125</u>	<u>(\$5,877)</u>	<u>\$113,202</u>	<u>\$101,157</u>	<u>(\$12,045)</u>	<u>\$4,741</u>	<u>\$6,086</u>	<u>\$1,345</u>

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND EQUITY  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Revenues:</b>			
Sales	\$203,938		\$203,938
Tuition	23,323		23,323
Interest		260	260
Gifts and Donations		500	500
Other Operating Revenues	4,413		4,413
Total Operating Revenues	<u>231,674</u>	<u>760</u>	<u>232,434</u>
<b>Operating Expenses:</b>			
Salaries	136,923		136,923
Fringe Benefits	36,553		36,553
Purchased Services	13,296		13,296
Materials and Supplies	30,371		30,371
Cost of Sales	152,646		152,646
Depreciation	10,960		10,960
Other Operating Expenses	5,640	650	6,290
Total Operating Expenses	<u>386,389</u>	<u>650</u>	<u>387,039</u>
Operating Income (Loss)	<u>(154,715)</u>	<u>110</u>	<u>(154,605)</u>
<b>Non-Operating Revenues:</b>			
Federal Donated Commodities	27,956		27,956
Operating Grants	132,737		132,737
Interest	5,640		5,640
Total Non-Operating Revenues	<u>166,333</u>		<u>166,333</u>
Net Income	11,618	110	11,728
Retained Earnings/Fund Balance at Beginning of Year	<u>207,973</u>	<u>11,064</u>	<u>219,037</u>
Retained Earnings/Fund Balance at End of Year	219,591	11,174	230,765
Contributed Capital at Beginning and End of Year	<u>7,154</u>		<u>7,154</u>
Total Fund Equity at End of Year	<u>\$226,745</u>	<u>\$11,174</u>	<u>\$237,919</u>

*See Accompanying Notes to the General Purpose Financial Statements.*

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Enterprise Funds</u>			<u>Nonexpendable Trust Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>						
Sales	\$218,502	\$209,198	(\$9,304)			
Tuition	27,000	23,166	(3,834)			
Interest	5,700	5,640	(60)	375	412	37
Gifts and Donations				250	500	250
Operating Grants	122,661	132,737	10,076			
Other Revenues	4,413	4,413				
Total Revenues	<u>378,276</u>	<u>375,154</u>	<u>(3,122)</u>	<u>625</u>	<u>912</u>	<u>287</u>
<b>Expenses:</b>						
Salaries	133,986	131,982	2,004			
Fringe Benefits	42,417	42,114	303			
Purchased Services	23,655	13,419	10,236			
Materials and Supplies	150,250	136,418	13,832			
Capital Outlay	117,807	85,702	32,105			
Other Expenses	6,224	5,640	584	700	650	50
Total Expenses	<u>474,339</u>	<u>415,275</u>	<u>59,064</u>	<u>700</u>	<u>650</u>	<u>50</u>
Excess of Revenues Over (Under) Expenses	(96,063)	(40,121)	55,942	(75)	262	337
Fund Balances at Beginning of Year	160,711	160,711		10,750	10,750	
Prior Year Encumbrances Appropriated	15,658	15,658				
Fund Balances at End of Year	<u>\$80,306</u>	<u>\$136,248</u>	<u>\$55,942</u>	<u>\$10,675</u>	<u>\$11,012</u>	<u>\$337</u>

See Accompanying Notes to the General Purpose Financial Statements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	<b>Totals</b>
	<b>Enterprise</b>	<b>Nonexpendable Trust</b>	<b>(Memorandum Only)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$232,364		\$232,364
Cash Received from Gifts and Donations		500	500
Cash Payments for Salaries	(131,982)		(131,982)
Cash Payments for Fringe Benefits	(42,075)		(42,075)
Cash Payments for Goods and Services	(169,583)		(169,583)
Cash Received from Other Revenues	4,413		4,413
Cash Payments for Other Expenses	(5,640)	(650)	(6,290)
Net Cash Used for Operating Activities	(112,503)	(150)	(112,653)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
<b>Cash Payments for Fixed Assets</b>			
	(58,078)		(58,078)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash Received from Operating Grants	132,737		132,737
<b>Cash Flows from Investing Activities:</b>			
Cash Received from Interest	5,640	412	6,052
Net Increase (Decrease) in Cash and Cash Equivalents	(32,204)	262	(31,942)
Cash and Cash Equivalents at Beginning of Year	176,369	10,750	187,119
Cash and Cash Equivalents at End of Year	144,165	11,012	155,177
<b>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</b>			
Operating Income (Loss)	(154,715)	110	(154,605)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:</b>			
Depreciation	10,960		10,960
Donated Commodities Used During Year	27,956		27,956
Interest Reported as Operating Income		(260)	(260)
<b>Changes in Assets and Liabilities:</b>			
Decrease in Accounts Receivable	4,510		4,510
Decrease in Intergovernmental Receivable	593		593
Decrease in Prepaid Items	13		13
Decrease in Materials and Supplies Inventory	156		156
Increase in Inventory Held for Resale	(1,382)		(1,382)
Increase in Accrued Wages and Benefits	3,506		3,506
Decrease in Compensated Absences Payable	(3,152)		(3,152)
Decrease in Intergovernmental Payable	(948)		(948)
Net Cash Used for Operating Activities	(\$112,503)	(\$150)	(\$112,653)
<b>Reconciliation of Nonexpendable Trust Fund Cash and Cash Equivalents to Balance Sheet:</b>			
Cash and Cash Equivalents - All Fiduciary Fund Types	\$52,170		
Less Agency Funds	(35,072)		
Less Expendable Trust Fund	(6,086)		
Cash and Cash Equivalents - Nonexpendable Trust Fund	\$11,012		

See Accompanying Notes to the General Purpose Financial Statements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**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, and Blackcreek, Dublin, Hopewell, Liberty, Salem, Union, and Willshire Townships. The School District is the 447th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by forty-two classified employees, seventy-eight certified teaching personnel, and seven administrative employees who provide services to 1,188 students and other community members. The School District currently operates three instructional buildings and three bus garages.

**A. Reporting Entity:**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Parkway Local School District, this includes general operations, food service, 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 five jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, the 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 NOACSC Workers' Compensation Group Rating Plan, the Mercer Auglaize Employee Benefit Trust, and the Rockford Carnegie Public Library. These organizations are presented in Notes 19, 20, and 21 to the general purpose financial statements.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Parkway Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

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

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

**General Fund** - The General Fund is the operating fund of the School District and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund** - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

**Capital Projects Funds** - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**2. Proprietary Fund Type:**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Enterprise Funds** - Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**3. 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. These include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group** - This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds or trust funds.

**General Long-Term Obligations Account Group** - This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

The proprietary fund type and nonexpendable trust fund are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary fund type and nonexpendable trust fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are deemed both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and donations.

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Title VI-B special revenue fund is a flow through grant in which the Mercer County Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

**1. Tax Budget:**

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Mercer County Budget Commission for rate determination.

**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 revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal 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 of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2001.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**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 no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels 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 expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations as 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 appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds and funds held by the Mercer County Educational Service Center, consistent with statutory provisions.

**4. Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund and reported in the notes to the financial statements for the proprietary fund type and nonexpendable trust fund.

**5. Lapsing of Appropriations:**

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

**D. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents held for the School District by Community First Bank, who services the School District's bond/coupon payments, are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

During fiscal year 2001, investments were limited to non-negotiable certificates of deposit and STAR Ohio. Non-negotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

The School District has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2001 was \$168,202, which included \$23,575 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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, and not purchased from the pool, are reported as investments.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which the services are consumed.

**F. Inventory**

Inventory in the proprietary funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory consists of donated and purchased food and is expensed when used.

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after twenty years of service with the School District; after fifteen years of service with the School District if they are forty-five years of age; or after ten years of service with the School District if they are fifty years of age.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than sixty days after fiscal year end are considered not to have used current available expendable resources. The long-term loan is reported as a liability in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the appropriate fund.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**K. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1993, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying financial statements. All other fund equity amounts pertaining to the proprietary funds have been classified as retained earnings. Capital contributions received from other governments and private sources subsequent to fiscal year 2000 are recorded as revenues and reported as retained earnings.

**L. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, budget stabilization, bus purchase, contributions, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for contributions signifies legal restrictions on the use of principal in the nonexpendable trust fund.

**M. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**N. Estimates**

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

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**O. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2001, the Public School Preschool special revenue fund had a deficit fund balance of \$3,160. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Preschool enterprise fund had deficit retained earnings of \$7,843 due to expenses exceeding the amount charged for tuition. The School District is reviewing the operation of this fund.

**B. Compliance**

The following accounts had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2001:

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**4. ACCOUNTABILITY AND COMPLIANCE (Continued)**

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund			
Extracurricular Activities			
Salaries	\$108,228	\$128,494	\$20,266
Operating Transfers Out	5,000	10,000	5,000
Special Revenue Funds			
Eisenhower			
Regular Instruction			
Materials and Supplies	2,370	2,413	43
Drug Free			
Regular Instruction			
Materials and Supplies	\$1,130	\$1,271	\$141
Enterprise Fund			
Food Service			
Salaries	107,597	107,875	278
Fringe Benefits	37,203	37,230	27

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund Type and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the proprietary fund type and nonexpendable trust fund (GAAP basis).
4. For proprietary funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Although not part of the appropriated budget, the Title VI-B special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$318,264	\$173,479	(\$5,877)	\$81,352
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2000, Received in Cash FY 2001	318,720	0	0	1,228
Accrued FY 2001, Not Yet Received in Cash	(351,021)	(19,709)	0	(6,053)
Expenditure Accruals:				
Accrued FY 2000, Paid in Cash FY 2001	(650,140)	(27,901)	0	0
Accrued FY 2001, Not Yet Paid in Cash	708,412	24,762	0	573
Prepaid Items	(9,469)	540	0	0
Note Principal	0	0	(41,250)	0
Note Interest	0	0	(1,959)	1,959
Advances In	23,586	15,590	0	0
Advances Out	(15,590)	(23,586)	0	0
Reallocation of Debt Activity	0	0	43,209	(43,209)
Encumbrances Outstanding at Year End (Budget Basis)	(95,057)	(36,869)	0	(15,100)
Budget Basis	<u>\$247,705</u>	<u>\$106,306</u>	<u>(\$5,877)</u>	<u>\$20,750</u>



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

	<b>Proprietary Fund Type</b>		<b>Nonexpendable Trust</b>
	<u>Enterprise</u>	<u>Trust</u>	
GAAP Basis	\$11,618	\$110	
<u>Increase (Decrease) Due to:</u>			
Revenue Accruals:			
Accrued FY 2000, Received in Cash FY 2001	5,597	314	
Accrued FY 2001, Not Yet Received in Cash	(494)	(162)	
Expense Accruals:			
Accrued FY 2000, Paid in Cash FY 2001	(44,530)		
Accrued FY 2001, Not Yet Paid in Cash	43,936		
Prepaid Items	13		
Materials and Supplies Inventory	156		
Inventory Held for Resale	(1,382)		
Acquisition of Fixed Assets	(58,078)		
Depreciation Expense	10,960		
Encumbrances Outstanding at Year End (Budget Basis)	(7,917)		
Budget Basis	<u>(\$40,121)</u>	<u>\$262</u>	

**6. 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 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.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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 the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$4,525 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (continued)**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$2,244,911 and the bank balance was \$2,437,554. Of the bank balance, \$300,000 was covered by federal depository insurance and \$2,137,554 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or the School District's agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2001, the fair value of funds on deposit with STAR Ohio was \$596,988.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$2,846,424	\$0
Cash on Hand	(4,525)	0
Investments:		
STAR Ohio	(596,988)	596,988
GASB Statement No. 3	\$2,244,911	\$596,988

**7. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes received in calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Auglaize, Mercer, and Van Wert Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$17,708 in the General Fund and \$959 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2000, was \$22,692 in the General Fund and \$1,228 in the Permanent Improvement capital projects fund.

The assessed values upon which the fiscal year 2001 taxes were collected are:

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**7. PROPERTY TAXES (Continued)**

	<u>2000 Second- Half Collections</u>		<u>2001 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$71,601,250	84.05%	\$71,802,790	84.18%
Industrial/Commercial	4,374,290	5.13	4,370,720	5.12
Public Utility	5,421,320	6.36	5,123,910	6.01
Tangible Personal	3,794,840	4.46	4,003,270	4.69
Total Assessed Value	<u>\$85,191,700</u>	<u>100.00%</u>	<u>\$85,300,690</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.67		\$35.67	

**8. INCOME TAXES**

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2001, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**9. RECEIVABLES**

Receivables at June 30, 2001, consisted of both property and income taxes, accounts (student fees and billings for user charged services), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Accounts receivable at June 30 were \$8,006.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	
Pupil Transportation	\$1,403
Special Revenue Funds	
Martha Holden Jennings	3,996
Summer School	1,468
Title I	15,590
Title VI	3,161
Drug Free	1,433
Total Special Revenue Funds	<u>25,648</u>
Capital Projects Fund	
Video Distance Learning	<u>5,094</u>
Enterprise Fund	
Food Service	
Mercer County Headstart	323
Total	<u><u>\$32,468</u></u>

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**10. FIXED ASSETS**

A summary of the proprietary funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$207,451
Less Accumulated Depreciation	<u>(88,944)</u>
Net Fixed Assets	<u><u>\$118,507</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<b>Asset Category</b>	<b>Balance at 6/30/00</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/01</b>
Land and Improvements	\$383,720	\$0	\$0	\$383,720
Buildings and Improvements	4,167,197	17,262	0	4,184,459
Furniture, Fixtures, and Equipment	1,454,499	102,904	24,749	1,532,654
Vehicles	951,398	69,948	84,700	936,646
Totals	<u><u>\$6,956,814</u></u>	<u><u>\$190,114</u></u>	<u><u>\$109,449</u></u>	<u><u>7,037,479</u></u>

**11. RISK MANAGEMENT**

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 2001, the School District contracted for the following insurance coverage.

Coverage provided by Indiana Insurance is as follows:

Building and Contents - replacement cost (\$500 deductible)	\$23,450,859
Boiler and Machinery	23,450,859
Inland Marine Coverage (\$100 deductible)	856,785

Coverage provided by Nationwide/Wausau Insurance is as follows:

Vehicle Liability	2,000,000
Uninsured Motorists	2,000,000
General Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000
Umbrella Liability	
Per Occurrence	1,000,000
Total per Year	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

For fiscal year 2001, the School District participated in NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

The School District participates in the Mercer Auglaize Employee Benefit Trust (the 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, prescription drug, and dental 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.

**12. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$321,853, \$191,336, and \$182,708, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$52,266, is recorded as a liability within the respective funds.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$34,650, \$42,464, and \$55,725, respectively; 41 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$20,452, is recorded as a liability within the respective funds and the general long-term obligations account group.

**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, 2001, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**13. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$152,457.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$96,092 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**14. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to administrators and classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty-five days for all personnel. Upon retirement, payment is made for one-fourth of one hundred ninety days of accrued, but unused sick leave credit, plus one additional day for each year of service in excess of twenty years, to a maximum of sixty days.

**B. Health Care Benefits**

The School District provides medical, prescription drug, and dental insurance to employees through the Mercer Auglaize Employee Benefit Trust. The premium varies with each employee depending on marital and family status. The School District provides life insurance to employees through CoreSource.

**15. NOTES PAYABLE**

On February 3, 2000, the School District issued tax anticipation notes, in the amount of \$82,500, to acquire land. The notes have an interest rate of 4.75 percent. The notes mature on December 1, 2001, and are being repaid from a portion of a 1.5 mill permanent improvement levy. During fiscal year 2001, principal, in the amount of \$41,250, was retired. Principal and interest requirements to retire the tax anticipation notes in fiscal year 2002 are \$41,250 and \$982, respectively.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**16. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<b>Balance at 6/30/00</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/01</b>
1992 Asbestos Removal Loan Payable	\$11,164	\$0	\$5,000	\$6,164
Compensated Absences Payable	349,627	10,932	0	360,559
Intergovernmental Payable	56,195	54,225	56,195	54,225
Total General Long-Term Obligations	<u>\$416,986</u>	<u>\$65,157</u>	<u>\$61,195</u>	<u>\$420,948</u>

**1992 Asbestos Removal Loan** - In fiscal year 1992, the School District obtained an interest free loan, in the amount of \$53,664, for asbestos removal. The loan was issued for a ten year period, with final maturity in fiscal year 2002. The loan is being retired through the Bond Retirement debt service fund.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$7,653,937 with an unvoted debt margin of \$85,301 at June 30, 2001.

At June 30, 2001, the principal requirement to retire the asbestos removal loan in fiscal year 2002 was \$6,164.

**17. SET ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	<b>Textbooks</b>	<b>Capital Improvements</b>	<b>Budget Stabilization</b>
Balance June 30, 2000	(\$10,722)	\$0	\$99,677
Current Year Set Aside Requirement	155,605	155,605	0
Legislative Reduction	0	0	(77,586)
Qualifying Expenditures	(279,180)	(155,605)	0
Balance Carried Forward to Fiscal Year 2002	<u>(\$134,297)</u>	<u>\$0</u>	<u>\$22,091</u>
Reserve Balance June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$22,091</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance at the end of fiscal year 2001 was \$22,091.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and preschool. The table below reflects the more significant financial data relating to the enterprise funds of the Parkway Local School District as of and for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Preschool</u>	<u>Total</u>
Operating Revenues	\$208,351	\$23,323	\$231,674
Depreciation Expense	10,960	0	10,960
Operating Loss	(145,489)	(9,226)	(154,715)
Federal Donated Commodities	27,956	0	27,956
Operating Grants	132,737	0	132,737
Net Income (Loss)	20,844	(9,226)	11,618
Fixed Asset Additions	58,078	0	58,078
Net Working Capital	128,199	(7,843)	120,356
Total Assets	275,568	825	276,393
Total Equity (Deficit)	234,588	(7,843)	226,745
Encumbrances Outstanding at Year End (Budget Basis)	7,882	35	7,917

**19. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (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 the 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. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

**B. Vantage 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, one member each from the Mercer and Putnam County Educational Service Centers, two members each from the Paulding and Van Wert County Educational Service Centers, three members from the Paulding Exempted Village Board of Education, and two members from the Van Wert City Board of Education. 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  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**C. West Central Regional Professional Development Center**

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish 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 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.

**D. West Central Ohio Special Education Regional Resource Center**

The West Central Ohio Special Education Regional Resource Center (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, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**E. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (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.

**20. INSURANCE POOLS**

**A. NOACSC Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool. The Safety Coordinator, Robert Lotz of NOACSC, or his designee serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**20. INSURANCE POOLS (Continued)**

**B. Mercer Auglaize Employee Benefit Trust**

The Mercer Auglaize Employee Benefit Trust (the 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 participants' 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.

**21. 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.

**22. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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, 2001.

**B. Litigation**

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

**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**23. STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution was not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.



STATE OF OHIO  
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Parkway Local School District  
Mercer County  
401 South Franklin Street  
Rockford, Ohio 45882-9040

To the Board of Education:

We have audited the financial statements of the Parkway Local School District, Mercer County (the District), as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated November 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10254-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated November 18, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 18, 2002.

Parkway Local School District  
Mercer County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

November 18, 2002



**PARKWAY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-10254- 001**

**Ohio Rev. Code Section 5705.41(D)** states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certificate should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

For the audit period July 1, 2000 to June 30, 2002, 23% of transactions tested, representing 21% of the expenditures made by the District, had invoices dated prior to the certification of available funds. Then and now certificates were not issued for these expenditures.

The District should review Ohio Rev. Code Section 5705.41(D) and implement procedures for certification of funds.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**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  
DECEMBER 23, 2002**