



**Auditor of State
Betty Montgomery**

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

Pike-Delta-York Local School District
Fulton County
504 Fernwood Street
Delta, Ohio 43515-1262

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pike-Delta-York Local School District, Fulton County, (the School District) as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School District as of June 30, 2003, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2004 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The federal awards expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

April 12, 2004

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

The discussion and analysis of Pike-Delta-York Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2003 are as follows:

- In total, net assets decreased \$32,190, which is less than 1 percent, and is a very insignificant change from the prior fiscal year.
- General revenues accounted for 84 percent of all revenues and reflect the School District's significant dependence on property taxes and unrestricted state entitlements.
- Since fiscal year 1997, the School District has received payments in lieu of taxes related to tax abatement agreements with several new companies that had moved into the School District. The amounts received by the School District have been in excess of \$1 million for several years and are based on the value of each company's tangible personal property that is located within the School District. Over time, these values have decreased due to depreciation on the assets; therefore, payments received have also decreased. For fiscal year 2003, there was a decrease in payments received of a little over \$185,000. There are four years remaining for the largest abatement agreement, so further reductions in amounts received annually are expected. In fiscal year 2003, all of the revenue generated through tax abatements was used for general operating expenses of the School District.
- The School District continued to receive parity aid as part of the State foundation program in fiscal year 2003. Parity aid is distributed to low wealth school districts based on the valuation of real and personal property within their boundaries. In previous fiscal years, the use of this aid was restricted to funding additional programs but in fiscal year 2003, these restrictions were lifted. Our State funding increased over 7 percent from fiscal year 2002, primarily because of parity aid monies. The main component of the State foundation allocation is based on the three-year average daily membership (ADM) of students enrolled during the first week of October. For the past several years, the three-year average ADM has been declining. With the changes in State law approved as part of House Bill 95, the State funding of schools is no longer

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Continued)**

based on the three-year average ADM, but solely on the actual ADM. We know this will have a significant impact on our funding in fiscal year 2004.

- The School District is part of the Northern Buckeye Educational Council Employee Insurance Benefits Program with member school districts located primarily in Defiance, Fulton, Henry, and Williams Counties. As with many health insurance plans, the School District's per policy health insurance premiums increased 15 percent in fiscal year 2003 and are increasing another 24 percent in fiscal year 2004. This increase has had a significant impact on the School District's budget and continues to be a major factor in fiscal decisions.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Pike-Delta-York Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Pike-Delta-York Local School District, the General Fund, Bond Retirement debt service fund, and Capital Improvements capital projects fund are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2003. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Continued)**

increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School District discloses a single type of activity, governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement debt service fund, and the Capital Improvements capital projects fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2003 compared to fiscal year 2002:

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Continued)**

Table 1
Net Assets

	Governmental Activities	
	2003	2002
Assets		
Current and Other Assets	\$ 7,467,797	\$ 7,833,342
Capital Assets, Net	17,469,227	17,133,455
<i>Total Assets</i>	<u>24,937,024</u>	<u>24,966,797</u>
Liabilities		
Current and Other Liabilities	6,728,846	6,776,457
Long-Term Liabilities	10,011,877	9,961,849
<i>Total Liabilities</i>	<u>16,740,723</u>	<u>16,738,306</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	7,551,890	6,859,097
Restricted	2,040,259	2,425,924
Unrestricted (Deficit)	(1,395,848)	(1,056,530)
<i>Total Net Assets</i>	<u>\$ 8,196,301</u>	<u>\$ 8,228,491</u>

Total assets decreased \$29,773. This reduction is less than 1 percent overall and is generally the result of lower cash balances in fiscal year 2003. There is no particular individual asset account that had a great deal of fluctuation from the prior fiscal year.

Total liabilities increased \$2,417, which is basically no change from the prior fiscal year.

The increase in invested in capital assets, net of related debt is the result principal payments made during the fiscal year reducing the outstanding debt applicable to capital assets.

Table 2 reflects the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior fiscal year information is available, a comparative analysis of government-wide data will be presented.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Continued)**

Table 2
Change in Net Assets

	Governmental Activities
	2003
Revenues	
Program Revenues:	
Charges for Services	\$ 918,411
Operating Grants, Contributions, and Interest	1,169,489
Capital Grants and Contributions	101,539
<i>Total Program Revenues</i>	2,189,439
General Revenues:	
Property Taxes Levied for General Purposes	3,059,664
Property Taxes Levied for Debt Service	829,745
Payment in Lieu of Taxes	1,139,710
Grants and Entitlements	6,122,886
Interest	114,404
Gifts and Donations	784
Rent	17,714
Miscellaneous	173,706
<i>Total General Revenues</i>	11,458,613
<i>Total Revenues</i>	\$ 13,648,052

(Continued)

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Continued)**

Table 2 (Continued)
Change in Net Assets

	Governmental Activities
	2003
Expenses	
Instruction:	
Regular	\$ 6,231,070
Special	962,728
Vocational	153,332
Support Services:	
Pupils	609,400
Instructional Staff	480,447
Board of Education	8,598
Administration	950,371
Fiscal	288,232
Business	18,047
Operation and Maintenance of Plant	1,418,338
Pupil Transportation	795,952
Central	94,946
Non-Instructional Services	538,156
Extracurricular Activities	517,065
Interest and Fiscal Charges	613,560
<i>Total Expenses</i>	13,680,242
<i>Increase in Net Assets</i>	\$ (32,190)

Program revenues only represent 16 percent of total revenues and primarily consist of restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales.

The major program expenses for governmental activities are for instruction, which accounts for over 53 percent of all governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for over 13 percent of governmental expenses. Maintenance of the School District's facilities also represents a

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Continued)**

significant expense, 10 percent. Therefore, over 76 percent of the School District's expenses are related to the primary functions of providing facilities and delivering education.

As can be seen, these costs are funded almost completely (84 percent) from property taxes and unrestricted grants and entitlements, that being State foundation resources. With the voters of the School District approving the five-year emergency levy in November 2003, our reliance on local property taxes will continue, especially if our enrollment numbers continue to decline.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. Comparisons to fiscal year 2002 have not been made since they are not available.

Table 3
Governmental Activities

	2003	
	Total Cost of Services	Net Cost of Services
Instruction:		
Regular	\$ 6,231,070	\$ 5,339,077
Special	962,728	536,590
Vocational	153,332	120,567
Support Services:		
Pupils	609,400	595,727
Instructional Staff	480,447	480,447
Board of Education	8,598	8,598
Administration	950,371	950,371
Fiscal	288,232	288,232
Business	18,047	18,047
Operation and Maintenance of Plant	1,418,338	1,418,338
Pupil Transportation	795,952	701,023
Central	94,946	80,946
Non-Instructional Services	538,156	26,222
Extracurricular Activities	517,065	313,058
Interest and Fiscal Charges	613,560	613,560
<i>Total Expenses</i>	<u>\$ 13,680,242</u>	<u>\$ 11,490,803</u>

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Continued)**

Once again, the dependence upon tax revenues and unrestricted state entitlements for governmental activities is demonstrated in the above table. Over 82 percent of instruction activities are supported through taxes and other general revenues. Over 95 percent of non-instructional services costs were covered by program revenues. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Approximately 39 percent of extracurricular activities expenses are covered by program revenues. These program revenues are the result of music and athletic fees, ticket sales, and gate receipts at musical and athletic events. With the substantial reliance on general revenues to maintain the School District's operations, the community's support of Pike-Delta-York's students is critical.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$13,661,817 and expenditures \$15,311,287. The overall negative change of \$449,470, or 18 percent, in fund balance for the fiscal year is the result two primary factors; those being the continued reduction in debt principal during fiscal year 2003 of \$350,000 and the completion of the new roof at the high school.

The roof at the high school was completed as a locally funded project to satisfy the terms of the Part II Agreement for the Expedited Local Partnership Program through the Ohio School Facilities Commission. The Master Plan for the School District was approved during fiscal year 2002 and the roof replacement project was needed to solidify the School District's standing for the state-local share percentage when we are eligible to participate. The School District is not anticipating any further projects related to the OSFC Master Plan for several years.

Also, at June 30, 2003, the School District's General Fund had a deficit fund balance, in the amount of \$6,245. The emergency operating levy passed in November 2003 will help alleviate future fund balance deficits.

General Fund Budgeting Highlights

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

During fiscal year 2003, the School District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$12,101,776, were only slightly above original budgeted revenues, in the amount of \$12,094,576. For fiscal year 2003, the School District experienced a

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Continued)**

decrease in personal property tax valuation greater than what was anticipated, a decrease in the payments in lieu of taxes, and an unexpected 1.5 percent decrease in the State foundation program announced during the second-half of the school year.

Final expenditures were budgeted at \$12,455,653 while actual expenditures were \$11,571,513. The School District experienced a savings in regular instruction due to hiring eleven teachers at the base salary on the teacher salary schedule. In general, the School District appropriates conservatively.

Actual General Fund revenues were less than expenditures by \$13,155. This was much improved over what was budgeted and spent in the prior fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$17,469,227 invested in capital assets (net of accumulated depreciation), an increase of \$335,772, or less than 2 percent.

Increases in capital assets include new boilers at the elementary school, some new cafeteria equipment, and the replacement of lockers at the high school. In addition, the sports complex, including the softball field and track and field facility was completed during the fiscal year. The transportation department purchased one handicap accessible bus, one standard bus, and a van for transporting students as well as disposing of three busses and a truck. For further information regarding the School District's capital assets, see Note 9 to the basic financial statements.

Debt

The School District's outstanding debt obligations at fiscal year end included general obligation bonds, in the amount of \$9,151,425, and bond anticipation notes, in the amount of \$1,200,000. In December 2003, the School District issued \$800,000 in bond anticipation notes to partially retire the \$1,200,000 notes. The School District's long-term obligations also include compensated absences and capital leases for equipment. For further information regarding the School District's long-term obligation, see Note 16 to the basic financial statements.

Current Issues

The School District had projected a deficit cash position on the five-year forecast for fiscal year 2005, so the Board of Education placed a five-year emergency levy, which would raise \$525,000

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Continued)**

annually, before the voters of the School District in November 2002. After the failure of that levy issue, the Board placed another five-year emergency levy on the August 2003 ballot which would raise \$632,500 annually. This levy attempt also failed.

With the failure of the emergency levy in November 2002 and again in August 2003, the Superintendent recommended and the Board of Education approved a multi-year, multi-level operational plan for the School District to help bring expenditures in line with anticipated revenues over the next several years. This operational plan was shared with the voters of the School District in conjunction with additional financial information related to the need for additional revenue. With teacher and community support, this \$632,500 annual levy was passed by the voters of the School District in November 2003. This levy will generate over \$3 million during the next five years to help offset recent cuts in State foundation funding and the School District's decreasing personal property valuation due to changes in State law that are phasing out the inventory portion of personal property tax.

During the November 2003 election, there were three new members elected to the Board of Education. There was also a new board member appointed to fill a vacancy that opened in September 2003. The School District's operational plan will continue to be reviewed by the new board members to insure efficient and effective use of resources.

During fiscal year 2003, the CFO/Treasurer of the School District presented the open enrollment transfers on a gross basis vs. a net basis. The monies transferred by the Ohio Department of Education to the School District were previously reflected as a net loss of monies to the School District as more local students were choosing to attend other school districts in Ohio than other students were choosing to attend our school district. The recommendation was made for all school districts in Ohio to reflect the total dollars leaving the School District as expenditures and the total dollars coming into the School District as revenues. This process started in fiscal year 2003 and in some comparisons to fiscal year 2002, there were some larger differences than expected. For all fiscal years subsequent to 2003, open enrollment transactions will continue to be reflected at gross amounts.

An unfortunate economic condition affecting the finances of the School District is the steady drop in interest rates during the past few years. Star Ohio investments were earning an average of 3.85 percent in July 2001. At the end of fiscal year 2003, Star Ohio was averaging a 1.13 percent yield. The School District has had a significant portion of their inactive funds invested in federal securities which has helped keep interest rate yields above the Star Ohio rates, but the overall economy has been affected to the same degree as demonstrated above. Interest revenue from fiscal year 2002 to fiscal year 2003 decreased over \$121,000 with further decreases expected for fiscal year 2004.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Continued)**

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Joyce Kinsman, CFO/Treasurer, Pike-Delta-York Local School District, 504 Fernwood Street, Delta, Ohio 43515-1262.

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**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Assets
June 30, 2003**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,927,739
Accounts Receivable	28,387
Accrued Interest Receivable	19,990
Intergovernmental Receivable	51,371
Prepaid Items	3,951
Inventory Held for Resale	10,593
Materials and Supplies Inventory	19,360
Property Taxes Receivable	4,406,406
Nondepreciable Capital Assets	988,271
Depreciable Capital Assets, Net	<u>16,480,956</u>
<i>Total Assets</i>	<u>24,937,024</u>
Liabilities	
Accounts Payable	143,323
Accrued Wages and Benefits Payable	1,219,056
Intergovernmental Payable	243,726
Matured Compensated Absences Payable	18,649
Deferred Revenue	3,855,805
Accrued Interest Payable	48,287
Notes Payable	1,200,000
Long-Term Liabilities:	
Due Within One Year	181,473
Due in More Than One Year	<u>9,830,404</u>
<i>Total Liabilities</i>	<u>16,740,723</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,551,890
Restricted For:	
Set Asides	80,395
Debt Service	472,450
Capital Projects	1,286,221
Other Purposes	201,193
Unrestricted (Deficit)	<u>(1,395,848)</u>
<i>Total Net Assets</i>	<u><u>\$ 8,196,301</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2003**

	<u>Expenses</u>
Governmental Activities	
Instruction:	
Regular	\$ 6,231,070
Special	962,728
Vocational	153,332
Support Services:	
Pupils	609,400
Instructional Staff	480,447
Board of Education	8,598
Administration	950,371
Fiscal	288,232
Business	18,047
Operation and Maintenance of Plant	1,418,338
Pupil Transportation	795,952
Central	94,946
Non-Instructional Services	538,156
Extracurricular Activities	517,065
Interest and Fiscal Charges	613,560
<i>Total Governmental Activities</i>	<u><u>\$ 13,680,242</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Charges for Services	Program Revenues		Net (Expense) Revenue and Change in Net Assets
	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
\$ 461,419	\$ 430,574	\$ -	\$ (5,339,077)
4	426,134	-	(536,590)
-	32,765	-	(120,567)
-	13,673	-	(595,727)
-	-	-	(480,447)
-	-	-	(8,598)
-	-	-	(950,371)
-	-	-	(288,232)
-	-	-	(18,047)
-	-	-	(1,418,338)
-	14,840	80,089	(701,023)
-	14,000	-	(80,946)
309,793	202,141	-	(26,222)
147,195	35,362	21,450	(313,058)
-	-	-	(613,560)
<u>\$ 918,411</u>	<u>\$ 1,169,489</u>	<u>\$ 101,539</u>	<u>(11,490,803)</u>

General Revenues

Property Taxes Levied for General Purposes	3,059,664
Property Taxes Levied for Debt Service	829,745
Payment in Lieu of Taxes	1,139,710
Grants and Entitlements not Restricted to Specific Progr	6,122,886
Interest	114,404
Gifts and Donations	784
Rent	17,714
Miscellaneous	173,706
<i>Total General Revenues</i>	<u>11,458,613</u>
Change in Net Assets	(32,190)
<i>Net Assets Beginning of Year - Note 3</i>	<u>8,228,491</u>
<i>Net Assets End of Year</i>	<u>\$ 8,196,301</u>

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2003**

	General	Bond Retirement	Capital Improvements	Other Governmental	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 910,821	\$ 398,573	\$ 1,312,807	\$ 198,054	\$ 2,820,255
Accounts Receivable	26,595	-	-	1,792	28,387
Accrued Interest Receivable	19,990	-	-	-	19,990
Intergovernmental Receivable	16,574	145	-	34,652	51,371
Interfund Receivable	450	-	-	-	450
Prepaid Items	3,153	-	-	798	3,951
Inventory Held for Resale	-	-	-	10,593	10,593
Materials and Supplies Inventory	17,984	-	-	1,376	19,360
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	107,484	-	-	-	107,484
Property Taxes Receivable	3,455,197	951,209	-	-	4,406,406
<i>Total Assets</i>	<u>\$ 4,558,248</u>	<u>\$ 1,349,927</u>	<u>\$ 1,312,807</u>	<u>\$ 247,265</u>	<u>\$ 7,468,247</u>
Liabilities					
Accounts Payable	\$ 114,376	\$ -	\$ 26,588	\$ 2,359	\$ 143,323
Accrued Wages and Benefits Payable	1,176,375	-	-	42,681	1,219,056
Intergovernmental Payable	188,736	-	-	10,658	199,394
Interfund Payable	-	-	-	450	450
Matured Compensated Absences Payable	18,649	-	-	-	18,649
Deferred Revenue	3,066,357	834,973	-	2,075	3,903,405
<i>Total Liabilities</i>	<u>4,564,493</u>	<u>834,973</u>	<u>26,588</u>	<u>58,223</u>	<u>5,484,277</u>
Fund Balances					
Reserved for Property Taxes	298,102	98,908	-	-	397,010
Reserved for Capital Improvements	80,395	-	-	-	80,395
Reserved for Bus Purchase	27,089	-	-	-	27,089
Reserved for Encumbrances	73,945	-	63,081	7,103	144,129
Unreserved, Reported in:					
General Fund (Deficit)	(485,776)	-	-	-	(485,776)
Special Revenue Funds	-	-	-	181,937	181,937
Debt Service Fund	-	416,046	-	-	416,046
Capital Projects Funds	-	-	1,223,138	2	1,223,140
<i>Total Fund Balances (Deficit)</i>	<u>(6,245)</u>	<u>514,954</u>	<u>1,286,219</u>	<u>189,042</u>	<u>1,983,970</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 4,558,248</u>	<u>\$ 1,349,927</u>	<u>\$ 1,312,807</u>	<u>\$ 247,265</u>	<u>\$ 7,468,247</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2003**

Total Governmental Fund Balances		\$ 1,983,970
 <i>Amounts reported for governmental activities on the statement of net assets are different because of the following:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		17,469,227
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	7,015	
Intergovernmental Receivable	6,484	
Accrued Interest Receivable	11,305	
Property Taxes Receivable	22,796	
		47,600
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds.		(44,332)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(48,287)	
Notes Payable	(1,200,000)	
General Obligation Bonds Payable	(9,151,425)	
Compensated Absences Payable	(852,898)	
Capital Leases Payable	(7,554)	
		(11,260,164)
<i>Net Assets of Governmental Activities</i>		\$8,196,301

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003**

	General	Bond Retirement	Capital Improvements	Other Governmental	Total Governmental Funds
Revenues					
Property Taxes	\$ 3,072,255	\$ 832,993	\$ -	\$ -	\$ 3,905,248
Payment in Lieu of Taxes	1,139,710	-	-	-	1,139,710
Intergovernmental	6,549,988	102,865	-	680,309	7,333,162
Interest	114,672	-	-	900	115,572
Tuition and Fees	459,389	-	-	-	459,389
Extracurricular Activities	-	-	-	147,195	147,195
Charges for Services	-	-	-	309,793	309,793
Gifts and Donations	784	-	21,450	38,266	60,500
Rent	17,307	-	-	-	17,307
Miscellaneous	123,111	5,556	-	45,274	173,941
<i>Total Revenues</i>	<u>11,477,216</u>	<u>941,414</u>	<u>21,450</u>	<u>1,221,737</u>	<u>13,661,817</u>
Expenditures					
Current:					
Instruction:					
Regular	5,719,856	-	133,676	391,262	6,244,794
Special	950,290	-	-	2,957	953,247
Vocational	143,826	-	-	-	143,826
Support Services:					
Pupils	557,521	-	-	7,801	565,322
Instructional Staff	419,142	-	-	24,297	443,439
Board of Education	9,025	-	-	-	9,025
Administration	839,116	-	-	53,007	892,123
Fiscal	281,327	-	-	-	281,327
Business	18,047	-	-	-	18,047
Operation and Maintenance of Plant	1,346,545	-	-	-	1,346,545
Pupil Transportation	859,123	-	5,718	-	864,841
Central	80,946	-	-	14,000	94,946
Non-Instructional Services	-	-	-	495,544	495,544
Extracurricular Activities	297,820	-	-	160,856	458,676
Capital Outlay	-	-	462,449	-	462,449
Debt Service:					
Principal Retirement	7,021	1,550,000	-	-	1,557,021
Interest and Fiscal Charges	838	479,277	-	-	480,115
<i>Total Expenditures</i>	<u>11,530,443</u>	<u>2,029,277</u>	<u>601,843</u>	<u>1,149,724</u>	<u>15,311,287</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(53,227)	(1,087,863)	(580,393)	72,013	(1,649,470)
Other Financing Sources					
Notes Issued	-	1,200,000	-	-	1,200,000
<i>Net Change in Fund Balances</i>	(53,227)	112,137	(580,393)	72,013	(449,470)
<i>Fund Balances at Beginning of Year - Restated (Note 3)</i>	46,982	402,817	1,866,612	117,029	2,433,440
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$ (6,245)</u>	<u>\$ 514,954</u>	<u>\$ 1,286,219</u>	<u>\$ 189,042</u>	<u>\$ 1,983,970</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2003**

Net Change in Fund Balances - Total Governmental Funds \$ (449,470)

*Amounts reported for governmental activities on the
statement of activities are different because of the following:*

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year:

Capital Outlays	721,694	
Depreciation	(385,922)	
		335,772

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	(15,839)	
Intergovernmental	(99)	
Interest	(268)	
Tuition and Fees	2,034	
Rent	407	
		(13,765)

Repayment of principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 1,557,021

Note proceeds are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.
Note Proceeds (1,200,000)

Interest is reported as an expenditure when due in governmental funds, but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debit is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	(48,287)	
Annual Accretion	(85,158)	
		(133,445)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	43,588	
Compensated Absences Payable	(171,891)	
		(128,303)

Change in Net Assets of Governmental Activities (\$32,190)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual Comparison
General Fund
For the Fiscal Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 3,310,383	\$ 3,310,383	\$ 3,136,033	\$ (174,350)
Payment in Lieu of Taxes	1,300,000	1,300,000	1,140,301	(159,699)
Intergovernmental	6,675,214	6,675,214	6,549,988	(125,226)
Interest	252,000	252,000	158,060	(93,940)
Tuition and Fees	476,979	476,979	459,502	(17,477)
Gifts and Donations	-	10,000	784	(9,216)
Rent	-	15,000	18,155	3,155
Miscellaneous	80,000	62,200	95,535	33,335
<i>Total Revenues</i>	<u>12,094,576</u>	<u>12,101,776</u>	<u>11,558,358</u>	<u>(543,418)</u>
Expenditures				
Current:				
Instruction:				
Regular	6,273,755	6,273,755	5,726,081	547,674
Special	893,377	893,377	930,190	(36,813)
Vocational	142,156	142,156	144,810	(2,654)
Support Services:				
Pupils	591,623	591,623	557,126	34,497
Instructional Staff	516,428	516,428	415,984	100,444
Board of Education	13,415	13,415	9,065	4,350
Administration	903,846	903,846	847,645	56,201
Fiscal	328,226	328,226	282,057	46,169
Business	50,500	50,500	42,946	7,554
Operation and Maintenance of Plant	1,541,572	1,541,572	1,388,649	152,923
Pupil Transportation	809,801	822,001	856,313	(34,312)
Central	75,000	75,000	74,787	213
Extracurricular Activities	303,754	303,754	295,860	7,894
<i>Total Expenditures</i>	<u>12,443,453</u>	<u>12,455,653</u>	<u>11,571,513</u>	<u>884,140</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(348,877)</u>	<u>(353,877)</u>	<u>(13,155)</u>	<u>340,722</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	5,000	5,000	10,579	5,579
Other Financing Sources	-	-	677	677
Advances In	6,000	6,000	6,000	-
Advances Out	(50,000)	(50,000)	(450)	49,550
Transfers Out	(100,000)	(100,000)	-	100,000
<i>Total Other Financing Sources (Uses)</i>	<u>(139,000)</u>	<u>(139,000)</u>	<u>16,806</u>	<u>155,806</u>
<i>Net Change in Fund Balance</i>	<u>(487,877)</u>	<u>(492,877)</u>	<u>3,651</u>	<u>496,528</u>
<i>Fund Balance at Beginning of Year</i>	<u>730,569</u>	<u>730,569</u>	<u>730,569</u>	<u>-</u>
Prior Year Encumbrances Appropriated	142,956	142,956	142,956	-
<i>Fund Balance at End of Year</i>	<u>\$ 385,648</u>	<u>\$ 380,648</u>	<u>\$ 877,176</u>	<u>\$ 496,528</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Assets
Fiduciary Funds
June 30, 2003**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 88</u>	<u>\$ 51,258</u>
Liabilities		
Due to Students	<u>-</u>	<u>\$ 51,258</u>
Net Assets		
Held in Trust for Scholarships	<u>\$ 88</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2003**

	<u>Private Purpose Trust</u>
Additions	
Interest	\$ 4
Gifts and Donations	<u>200</u>
<i>Total Additions</i>	204
Deductions	
Non-Instructional Services	<u>400</u>
<i>Change in Net Assets</i>	(196)
<i>Net Assets at Beginning of Year</i>	<u>284</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 88</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Pike-Delta-York 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 1966 through the consolidation of existing land areas and school districts. The School District serves an area of approximately seventy-three square miles. It is located in Fulton County, and includes all of the Village of Delta and portions of Fulton, Pike, Swancreek, and York Townships. The School District is the 351st largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-four classified employees, one hundred one certified teaching personnel, and six administrative employees who provide services to 1,516 students and other community members. The School District currently operates four instructional buildings, an administration building, and a bus garage.

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 Pike-Delta-York Local School District, this includes general operations, food service, 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 Pike-Delta-York Local School District.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

The School District participates in six jointly governed organizations, two insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northwest Ohio Special Education Regional Resource Center, the Northwest Ohio Regional Professional Development Center, the Northern Buckeye Education Council Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Delta Public Library. These organizations are presented in Notes 19, 20, and 21 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Pike-Delta-York 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 governmental 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

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's three major funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

General Fund - The General Fund 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.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

Bond Retirement Fund - The Bond Retirement debt service fund is used to account for the accumulation of resources for and the payment of principal and interest on bond anticipation notes and general obligation bonds. Both were issued for the construction of a new middle school and improvements to other School District buildings.

Permanent Improvement Fund - The Permanent Improvement capital projects fund accounts for the acquisition, construction, or improvement of capital facilities, including the football stadium and high school roof.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

All governmental funds 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. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e.,

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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, 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 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.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, and charges for services, and rent.

Deferred Revenues

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, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

Expenses/Expenditures

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

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 governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the object level for the General Fund and the fund level in all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds, other than the General Fund, are made by the School District CFO/Treasurer.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the CFO/Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts 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.

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. 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 School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2003, investments included nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. Federal agency securities are reported at fair value, which is based on quoted market price. 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, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 was \$114,672, which includes \$66,301 assigned from other School District funds.

Investments of the School District's 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 presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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 services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets represent amounts required by State statute to be set aside for capital improvements and unexpended revenues restricted for the purchase of school buses.

J. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized. 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.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	30 - 50 years
Buildings and Building Improvements	25 - 75 years
Furniture, Fixtures, and Equipment	8 - 60 years
Vehicles	10 - 25 years

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

L. 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 the School District will compensate the employees for the benefits through time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 ten years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Capital leases are recognized as a liability on the fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Fund Balance Reserves

The School District reserves those portions of fund balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, capital improvements, bus purchase, 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.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

P. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

R. 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.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Change in Accounting Principles

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the School District uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the General Fund and each major special revenue fund. The implementation of this statement did not have any effect on the School District's financial statements for fiscal year 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

For fiscal year 2003, the School District began using the vesting method for calculating the liability for compensated absences. In prior fiscal years, the School District used the termination method. The School District determined the vesting method would provide a more accurate calculation of the liability.

B. Restatement of Fund Balance

The restatement due to the implementation of the above statements and interpretation had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of governmental activities is also presented:

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Activities
Fund Balance June 30, 2002	\$ 38,335	\$ 402,817	\$ 1,866,612	\$ 85,843	\$ 2,393,607
GASB Statement No. 34 Adjustment:					
Change in Fund Structure	-	-	-	21,089	21,089
GASB Interpretation No. 6 Adjustment:					
Compensated Absences Payable	8,647	-	-	10,097	18,744
<i>Adjusted Fund Balance</i>	\$ 46,982	\$ 402,817	\$ 1,866,612	\$ 117,029	2,433,440
GASB Statement No. 34 Adjustments:					
Accounts Receivable					7,901
Accrued Interest Receivable					11,573
Intergovernmental Receivable					3,256
Property Taxes Receivable					38,635
Capital Assets					17,133,455
Intergovernmental Payable					(87,920)
Notes Payable					(1,350,000)
General Obligation Bonds Payable					(9,266,267)
Compensated Absences Payable					(681,007)
Capital Leases Payable					(14,575)
<i>Governmental Activities Net Assets at June 30, 2002</i>					\$ 8,228,491

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2003, the General Fund, Education Management Information Systems, and Title VI-R special revenue funds had deficit fund balances, in the amount of \$6,245, \$15, and \$141, respectively, resulting from adjustments for accrued liabilities.

B. Compliance

For the fiscal year ended June 30, 2003, the Scholarship private purpose trust fund had appropriations in excess of estimated resources plus available balances, in the amount of \$116.

The Board of Education is monitoring their budgetary controls to avoid future violations of budgetary compliance.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Net Change in Fund Balance	
<i>GAAP Basis</i>	\$ (53,227)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2002, Received in Cash FY 2003	496,867
Accrued FY 2003, Not Yet Received in Cash	(444,183)
Expenditure Accruals:	
Accrued FY 2002, Paid in Cash FY 2003	(1,400,731)
Accrued FY 2003, Not Yet Paid in Cash	1,490,320
Cash Adjustments:	
Unrecorded Activity FY 2002	35,439
Unrecorded Activity FY 2003	4,275

(Continued)

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

Net Change in Fund Balance (Continued)	
Prepaid Items	6,466
Materials and Supplies Inventory	8,279
Advances In	6,000
Advances Out	(450)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(145,404)
<i>Budget Basis</i>	\$ 3,651

NOTE 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.

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 CFO/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.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

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

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(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 \$906,607 and the bank balance was \$1,099,093. Of the bank balance, \$199,093 was covered by federal depository insurance and \$900,000 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance 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 its 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.

	Category 2	Fair Value
Federal National Mortgage Association Notes	\$ 333,430	\$ 333,430
Federal National Mortgage Association Bonds	502,815	502,815
Federal Home Loan Bank Notes	555,080	555,080
Federal Home Loan Bank Bonds	503,905	503,905
	\$ 1,895,230	1,895,230
STAR Ohio		177,248
Total		\$ 2,072,478

The classification of cash and cash equivalents and investments on the financial statements 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 financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
<i>GASB Statement No. 9</i>	\$ 2,979,085	\$ -
Investments:		
Federal National Mortgage Association Notes	(333,430)	333,430
Federal National Mortgage Association Bonds	(502,815)	502,815
Federal Home Loan Bank Notes	(555,080)	555,080
Federal Home Loan Bank Bonds	(503,905)	503,905
STAR Ohio	(177,248)	177,248
<i>GASB Statement No. 3</i>	<u>\$ 906,607</u>	<u>\$ 2,072,478</u>

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, interfund, and property taxes. 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. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Homestead and Rollback	\$ 937
Lake County, Indiana	3,189
Village of Delta	11,639
Swanton Local School District	450
State of Ohio	220
Miscellaneous	139
Total General Fund	<u>16,574</u>

(Continued)

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

(Continued)

	Amount
Bond Retirement Fund	
Homestead and Rollback	145
Other Governmental Funds	
Food Service	16,368
Title I	11,000
Title VI	4,486
Drug Free	423
Miscellaneous Federal Grants	2,375
Total Other Governmental Funds	34,652
<i>Total Intergovernmental Receivables</i>	\$ 51,371

NOTE 8 - 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.

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 property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, 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 property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2001, were levied after April 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. 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; however, this settlement was not received by the School District within fiscal year 2003.

The School District receives property taxes from Fulton County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2003, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$298,102 in the General Fund and \$98,908 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2002, was \$339,934 in the General Fund and \$102,652 in the Bond Retirement debt service fund.

The late settlement made by the County for fiscal year 2003 was \$113,322 in the General Fund and \$17,473 in the Bond Retirement debt service fund. For fiscal year 2002, these amounts were \$135,268 in the General Fund and \$20,856 in the Bond Retirement debt service fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been deferred.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 92,509,710	72.42%	\$ 102,352,650	72.83%
Industrial/Commercial	11,265,920	8.82%	13,807,300	9.82%
Public Utility	9,628,220	7.53%	10,052,410	7.15%
Tangible Personal	14,343,440	11.23%	14,328,490	10.20%
Total Assessed Value	<u>\$ 127,747,290</u>	<u>100.00%</u>	<u>\$ 140,540,850</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 53.40		\$ 53.40	

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance at	Additions	Reductions	Balance at
	06/30/02			06/30/03
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 970,367	\$ -	\$ -	\$ 970,367
Construction in Progress	421,274	44,382	(447,752)	17,904
Total Nondepreciable Capital Assets:	<u>1,391,641</u>	<u>44,382</u>	<u>(447,752)</u>	<u>988,271</u>
Depreciable Capital Assets				
Land Improvements	656,867	450,126	-	1,106,993
Buildings and Building Improvements	15,940,897	361,753	-	16,302,650
Furniture, Fixtures, and Equipment	937,872	110,237	(55,711)	992,398
Vehicles	1,258,350	202,948	(112,898)	1,348,400
Total Depreciable Capital Assets	<u>18,793,986</u>	<u>1,125,064</u>	<u>(168,609)</u>	<u>19,750,441</u>

(Continued)

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

Governmental Activities (Continued)	Restated Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
Less Accumulated Depreciation				
Land Improvements	(51,464)	(25,628)	-	(77,092)
Buildings and Building Improvements	(2,266,339)	(221,810)	-	(2,488,149)
Furniture, Fixtures, and Equipment	(273,336)	(51,956)	55,711	(269,581)
Vehicles	(461,033)	(86,528)	112,898	(434,663)
Total Accumulated Depreciation	<u>(3,052,172)</u>	<u>(385,922)</u>	<u>168,609</u>	<u>(3,269,485)</u>
Depreciable Capital Assets, Net	<u>15,741,814</u>	<u>739,142</u>	<u>-</u>	<u>16,480,956</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,133,455</u>	<u>\$ 783,524</u>	<u>\$ (447,752)</u>	<u>\$ 17,469,227</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 133,719
Special	12,986
Vocational	10,740
Support Services:	
Pupils	4,602
Instructional Staff	10,430
Administration	8,029
Fiscal	3,235
Operation and Maintenance of Plant	33,615
Pupil Transportation	85,186
Non-Instructional Services	22,920
Extracurricular Activities	60,460
<i>Total Depreciation Expense</i>	<u>\$ 385,922</u>

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

NOTE 10 - INTERFUND ASSETS/LIABILITIES

At June 30, 2003, the General Fund had an interfund receivable and other governmental funds had an interfund payable, in the amount of \$450, resulting from the provision of cash flow resources until the receipt of grant monies by the other governmental funds.

NOTE 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 2003, the School District contracted for the following insurance coverage.

Coverage provided by Selective Insurance Company of South Carolina is as follows:

General Liability	
Per Occurrence	\$ 2,000,000
Total per Year	4,000,000
Building and Contents	36,714,819
Extra Expense	750,000
Vehicle Liability	2,000,000
Uninsured/Underinsured Motorists	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.

The School District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (Program), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The School District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including medical, dental, vision, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to all participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and performs its obligations in accordance with the terms of the agreement.

NOTE 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 to members and death and survivor benefits to 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.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 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 for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001 was \$630,823, \$486,894, and \$450,604, respectively; 82 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$3,473 made by the School District and \$12,256 made by plan members.

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.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 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, 2003, 2002, and 2001 were \$133,352, \$83,814, and \$58,658, respectively; 46 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

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, 2003, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 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 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$48,792.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2003. For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000, and STRS had 108,294 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, 2003, employer contributions to fund health care benefits were 5.83 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 2003, the minimum pay was established at

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

\$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$120,607 for fiscal year 2003.

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 at June 30, 2003, were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Up to five days of unused vacation may be carried forward to the succeeding fiscal year or the employee can take a lump sum payment at their regular daily rate. Unused vacation in excess of five days cannot be carried forward to the succeeding fiscal year. 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 fourteen days for classified employees and two hundred eight days for certified employees. Upon retirement, payment is made for three-eighths of accrued, but unused sick leave credit to a maximum of sixty-two days for classified employees and fifty-three days for certified employees. An additional payment of \$75 per day, up to a maximum of \$1,500, is paid to certified employees for any days in excess of the maximum fifty-three days. Each certified employee also receives an additional payment of \$75 per day for the remainder of forty-five days less the number of sick days used by the employee during the prior three years.

B. Health Care Benefits

The School District provides medical, dental, and life insurance to most employees through the Northern Buckeye Education Council Employee Insurance Benefits Program.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

NOTE 15 - NOTES PAYABLE

The School District's notes payable activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Rate</u>	<u>Balance at 06/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/03</u>
Governmental Activities					
Notes Payable	2.07%	<u>\$ 1,350,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,350,000</u>	<u>\$ 1,200,000</u>

On December 12, 2002, the School District issued bond anticipation notes, in the amount of \$1,200,000, to retire notes previously issued for the construction of a new middle school and improvements to other School District buildings. The notes were issued under the authority of Ohio Revised Code § 133.18. The notes have an interest rate of 2.07 percent and matured on December 11, 2003.

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2003 were as follows:

		<u>Balance at 06/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/03</u>	<u>Amounts Due Within One Year</u>
Governmental Activities						
General Obligation Bonds						
FY 98 School Improvement Bonds						
Serial Bonds	4-4.95%	\$ 4,280,000	\$ -	\$ 200,000	\$ 4,080,000	\$ 120,000
Term Bonds	5.1%	4,420,000	-	-	4,420,000	-
Capital Appreciation Bonds	5.05-5.1%	209,783	-	-	209,783	-
Accretion of Capital Appreciation Bonds		356,484	85,158	-	441,642	-
Total General Obligation Bonds		9,266,267	85,158	200,000	9,151,425	120,000
Compensated Absences Payable		681,007	254,402	82,511	852,898	53,919
Capital Leases Payable		14,575	-	7,021	7,554	7,554
Total Governmental Activities Long -Term Obligations		<u>\$ 9,961,849</u>	<u>\$ 339,560</u>	<u>\$ 289,532</u>	<u>\$ 10,011,877</u>	<u>\$ 181,473</u>

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

FY 98 School Improvement Bonds - On May 1, 1998, the School District issued \$9,549,783 in voted general obligation bonds for the construction of a middle school and improvements to other School District buildings. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$4,920,000, \$4,420,000, and \$209,783, respectively. The bonds were issued for a twenty-two year period, with final maturity during fiscal year 2020. The bonds will be retired through the Bond Retirement debt service fund with voted property tax revenues.

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2015 through 2018 (with the balance of \$885,000 to be paid at stated maturity on December 1, 2019), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2015	\$ 815,000
2016	850,000
2017	910,000
2018	960,000

Term bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

Serial bonds maturing on and after December 1, 2009, are also subject to prior redemption on or after December 1, 2008, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date and in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date, according to the following schedule:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2008 through November 30, 2009	101.0%
December 1, 2009 through November 30, 2010	100.5%
December 1, 2010 and thereafter	100.0%

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2011 and 2012. The maturity amount of the bonds is

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

\$1,375,000. For fiscal year 2003, \$85,158 was accreted for a total bond value of \$651,425 at fiscal year end.

Compensated absences and capital leases will be paid from the General Fund.

The School District's overall debt margin was \$3,253,848 with an unvoted debt margin of \$140,541 at June 30, 2003.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				Total Obligation
	Serial	Term	Capital Appreciation	Interest	
2004	\$ 120,000	\$ -	\$ -	\$ 413,472	\$ 533,472
2005	260,000	-	-	405,047	665,047
2006	280,000	-	-	392,962	672,962
2007	345,000	-	-	378,814	723,814
2008	360,000	-	-	362,775	722,775
2009-2013	1,265,000	-	209,783	2,740,292	4,215,075
2014-2018	1,450,000	2,575,000	-	1,007,445	5,032,445
2019-2020	-	1,845,000	-	92,184	1,937,184
Total	\$ 4,080,000	\$ 4,420,000	\$ 209,783	\$ 5,792,991	\$ 14,502,774

NOTE 17 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2003 were \$7,021.

	Governmental Activities
Property under Capital Lease	\$ 38,907
Less Accumulated Depreciation	(33,071)
Total June 30, 2003	\$ 5,836

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30,	Governmental Activities
2004	\$ 7,860
Less Amount Representing Interest	(306)
Present Value of Net Minimum Lease Payments	\$ 7,554

NOTE 18 - SET ASIDES

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.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2003.

	Textbooks	Capital Improvements
Balance June 30, 2002	\$ (280,382)	\$ -
Current Year Set Aside Requirement	209,412	209,412
Qualifying Expenditures	(90,603)	(129,017)
Balance June 30, 2003	\$ (161,573)	\$ 80,395

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.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2003, the School District paid \$66,774 to NWOCA for various services. Financial information can be obtained from Cindy Siler, who serves as Treasurer, 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Four County Career Center, Lois Knuth, who serves as Treasurer, Route 1, Box 245A, Archbold, Ohio 43502.

D. 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.

E. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating School Districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Dave Michel, Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

F. Northwest Ohio Regional Professional Development Center

The Northwest Ohio Regional Professional Development Center (RPDC) is a jointly governed organization among the school districts in Defiance, Erie, Fulton, Henry, Lucas, Ottawa, Sandusky, Williams, and Wood counties. The RPDC focuses on the implementation of academic content standards and the deployment of State initiatives. All activities reflect definition of high quality professional development, including job-embedded, connected to strategic goals, sustained, intensive skill building, and measurement of impact on student learning.

The Center is governed by a fifteen 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 the Northwest Ohio Regional Professional Development Center, 414 Emerald Street, 2nd Floor, Toledo, Ohio 43602.

NOTE 20 - INSURANCE POOLS

A. Northern Buckeye Education Council Employee Insurance Benefits Program

The Northern Buckeye Education Council Employee Insurance Benefits Program (Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Program is governed by the Northern Buckeye Education Council (NBEC) and its participating members.

B. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the Northern Buckeye Education Council and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 21 - RELATED ORGANIZATION

The Delta 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

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

appointed by the Pike-Delta-York Board of Education. The Board of Trustees possesses its own budgeting and contracting 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 Delta Public Library, Sandra McCullough, Clerk/Treasurer, 402 Main Street, Delta, Ohio 43515.

NOTE 22 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 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, 2003.

B. Litigation

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

NOTE 24 - SUBSEQUENT EVENT

On December 11, 2003, the School District issued \$800,000 in bond anticipation notes to retire notes previously issued for the construction of a new middle school and improvements to other

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

School District buildings. The notes have an interest rate of 1.96 percent and mature on December 9, 2004.

In November 2003, the voters of the School District approved a 4.5 mill five-year emergency operating levy. The levy will generate \$632,500 annually.

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**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
<u>Nutrition Cluster:</u>		
Food Donation Program		10.550
School Breakfast Program		10.553
National School Lunch Program		10.555
Special Milk Program		10.556
Total U.S. Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Eisenhower Professional Development Grant	047084-MS-S1-2002	84.281
Grants to Local Educational Agencies (ESEA Title I)	047084-C1-S1-2003 047084-C1-S1-2002	84.010
Total Title I Grant		
Title V - Education program Strategies	047084-C2-S1-2003 047084-C2-S1-2002	84.298
Total Title V		
Drug Free Schools	047084-DR-S1-2002 047084-DR-S1-2002	84.186
Total Drug Free Schools		
Goals 2000	047084-QE-S1-2002	84.276
Title II - A Improving Teachers Quality Grant	047084-TRS1-2003	84.367
Title II - D Technology Literacy Challenge Fund Grant	047084-TJ-S1-2003	84.318
Title VI - R - Class size reduction subsidy	047084-CR-S1-2002	84.340
Advance Placement Program	047084-AVS1-2001	84.330
Total Department of Education		
Total Federal Schedule of Federal Awards Expenditures		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

Program/ Award Amount	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
		\$ 68,489		\$ 68,489
	\$ 3,347		\$ 3,347	
	122,867		122,867	
	380		380	
	<u>126,594</u>	<u>68,489</u>	<u>126,594</u>	<u>68,489</u>
\$ 8,568	-		477	
166,844	155,844		130,450	
112,302	26,342		26,627	
	<u>182,186</u>		<u>157,077</u>	
8,672	4,186		4,423	
8,301	-		7,601	
	<u>4,186</u>		<u>12,024</u>	
7,650	7,227		7,346	
6,299	-		4	
	<u>7,227</u>		<u>7,350</u>	
2,800	-		85	
68,214	68,419		68,419	
4,658	2,193		1,891	
43,573	755		8,391	
576	576		576	
	<u>265,542</u>		<u>256,290</u>	
	<u>\$ 392,136</u>	<u>\$ 68,489</u>	<u>\$ 382,884</u>	<u>\$ 68,489</u>

**PIKE- DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Schedule of Federal Awards Expenditures
June 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2003 the District had no significant food commodities in inventory.



**Auditor of State
Betty Montgomery**

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

Pike-Delta-York Local School District
Fulton County
504 Fernwood Street
Delta, Ohio 43515-1262

To the Board of Education:

We have audited the financial statements of Pike-Delta-York Local School District , Fulton County, (the School District) as of and for the year ended June 30, 2003, and have issued our report thereon dated April 12, 2004, in which we noted the School District adopted Governmental Accounting Standards Board Statement 34. 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 School 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 As part of obtaining reasonable assurance about whether the School District's financial 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting 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 School District in a separate letter dated April 12, 2004.

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

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

Betty Montgomery
Auditor of State

April 12, 2004



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133***

Pike-Delta-York Local School District
Fulton County
504 Fernwood Street
Delta, Ohio 43515-1262

To the Board of Education:

Compliance

We have audited the compliance of Pike-Delta-York Local School District, Fulton County, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

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In our opinion, the School District complied, in all material aspects, with the requirements applicable to its major federal program for the year ended June 30, 2003. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of School District in a separate letter dated April 12, 2004.

Internal Control over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses. We noted a matter involving the internal control over federal compliance that did not require inclusion in this report, that we have reported to management of School District in a separate letter dated April 12, 2004.

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



Betty Montgomery
Auditor of State

April 12, 2004

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Schedule of Findings and Questioned Costs
OMB Circular A -133 §.505
June 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1 - CFDA # 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 11, 2004**