



**Auditor of State
Betty Montgomery**

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

Table of Contents

Title	Page
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual Comparison - General Fund	19
Statement of Net Assets - Fiduciary Funds	20
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Fund	21
Notes to the Basic Financial Statements	23
Schedule of Federal Award Receipts and Expenditures	50
Notes to the Schedule of Federal Award Receipts and Expenditures.....	53
Independent Accountants' Report on Internal Control Over Financial Reporting And On Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	57
Schedule of Findings.....	59

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' 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, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Pike-Delta-York Local School District, Fulton County, Ohio, as of June 30, 2005, and the respective changes in financial position thereof 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2006, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Managements' Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The federal awards expenditure 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 also not a required part of the financial statements. We subjected the federal awards receipt and expenditure 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 financial statements taken as a whole.

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, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of Pike-Delta-York Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. 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 2005 are as follows:

- In total, net assets increased \$676,440, or almost 8 percent, from the prior fiscal year.
- General revenues accounted for 84 percent of total 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 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 were anticipated to decrease over time. In fiscal year 2003, the amount received decreased somewhat significantly but since then has remained relatively constant. For fiscal year 2005, there was a slight increase in the amount received that was not anticipated. In fiscal year 2005, all of the revenue generated through these agreements was used for general operating expenses of the School District and accounted for approximately 10 percent of the total General Fund revenues.
- The School District continued to receive parity aid as part of the State foundation program in fiscal year 2005. 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. The main component of the State foundation allocation was based on the average daily membership (ADM) of students enrolled during the first week of October. For the past several years, the School District's enrollment has been declining. However, the overall State foundation payment remained steady due to the stable enrollment from fiscal year 2004 to fiscal year 2005 and the increase in the level of parity aid funding from 58 percent to 76 percent.
- The School District is part of the Northern Buckeye Educational Council (NBEC) Employee Insurance Benefits Program with member school districts located primarily in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. As with many health insurance plans, the School District's per policy health insurance premiums increased 15 percent in fiscal year 2003 and increased another 24 percent in fiscal year 2004. Through negotiations with both union groups, the School District was able to change to a less expensive health insurance plan with NBEC effective September 1, 2004. This change had a significant impact on the School District's budget for fiscal year 2005 as the School District's share increased by only 12 percent.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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 Permanent 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 2005. 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 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. Nonfinancial 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, all of the School District's activities are presented as 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 Permanent 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2005 and fiscal year 2004:

Table 1
Net Assets

	Governmental Activities	
	2005	2004
<u>Assets:</u>		
Current and Other Assets	\$8,874,580	\$8,189,086
Capital Assets, Net	17,685,840	17,932,265
Total Assets	26,560,420	26,121,351
<u>Liabilities:</u>		
Current and Other Liabilities	6,890,535	7,078,640
Long-Term Liabilities	10,227,258	10,276,524
Total Liabilities	17,117,793	17,355,164
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	8,856,057	8,542,482
Restricted	718,893	780,367
Unrestricted (Deficit)	(132,323)	(556,662)
Total Net Assets	\$9,442,627	\$8,766,187

Total assets increased \$439,069. While this increase was less than 2 percent overall, the School District realized an increase of over \$700,000 in cash and cash equivalents. This increase can be pinpointed to the additional tax monies received from the first fiscal year of receiving the full benefit of the 4.5 mill emergency levy approved by the voters in November 2003, these settlements were received in the second half of 2004 and the first half of 2005. In addition, tangible personal property taxes collected were greater than anticipated due to several new businesses in the School District. The effect of this increase in tax monies is also reflected in the decrease of the deficit unrestricted net assets.

Total liabilities decreased \$237,371, or 1.4 percent. While this decrease is also not very noteworthy, there are several items worth mentioning. There was a \$300,000 decrease in notes payable as well as a \$260,000 decrease in bonds payable resulting from principal payments. The corresponding side of these payments is reflected in the increase in invested in capital assets, net of related debt. There was also an increase of almost 11 percent in the liability for compensated absences. In the agreement negotiated for the 2003/2004 school year, and thereafter, the severance calculation for certified employees is no longer tied to an employee's sick leave balance. Severance is based on one-third of an employee's current salary in the year of retirement.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2005 and fiscal year 2004.

Table 2
Change in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$1,016,168	\$908,325
Operating Grants, Contributions, and Interest	1,459,186	1,301,937
Capital Grants and Contributions	19,854	60,413
Total Program Revenues	<u>2,495,208</u>	<u>2,270,675</u>
General Revenues		
Property Taxes Levied for General Purposes	3,897,256	3,448,935
Property Taxes Levied for Debt Service	896,815	850,609
Payment in Lieu of Taxes	1,192,688	1,155,075
Grants and Entitlements	6,436,928	6,155,583
Interest	84,881	51,558
Gifts and Donations	0	3,905
Miscellaneous	120,530	222,487
Total General Revenues	<u>12,629,098</u>	<u>11,888,152</u>
Total Revenues	<u>15,124,306</u>	<u>14,158,827</u>

(continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Table 2
Change in Net Assets
(continued)

<u>Expenses</u>	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
Instruction:		
Regular	\$6,430,822	\$6,442,092
Special	1,461,064	1,307,073
Vocational	186,639	176,075
Support Services:		
Pupils	574,165	579,888
Instructional Staff	539,602	554,548
Board of Education	12,092	10,372
Administration	831,859	961,264
Fiscal	363,784	333,539
Business	8,185	25,139
Operation and Maintenance of Plant	1,323,415	1,388,045
Pupil Transportation	850,673	784,076
Central	80,266	67,576
Non-Instructional Services	630,139	596,706
Extracurricular Activities	644,406	591,151
Interest and Fiscal Charges	510,755	518,169
Total Expenses	<u>14,447,866</u>	<u>14,335,713</u>
Increase (Decrease) in Net Assets	<u>\$676,440</u>	<u>(\$176,886)</u>

Program revenues represent almost 16.5 percent of total revenues (compared to 16 percent in fiscal year 2004) and primarily consist of restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales. In general, revenues from all major sources were very comparable to the prior fiscal year.

Program expenses also remained very comparable to the prior fiscal year, an overall increase of less than 1 percent. The major program expense for governmental activities continues to be for instruction, which accounts for 56 percent of all governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 14 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, a little over 9 percent. Therefore, 79 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 substantially funded (83 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction:				
Regular	\$6,430,822	\$6,442,092	\$5,848,602	\$5,846,258
Special	1,461,064	1,307,073	458,552	490,611
Vocational	186,639	176,075	142,929	145,122
Support Services:				
Pupils	574,165	579,888	569,165	521,670
Instructional Staff	539,602	554,548	539,602	554,548
Board of Education	12,092	10,372	12,092	10,372
Administration	831,859	961,264	831,859	961,264
Fiscal	363,784	333,539	363,784	333,539
Business	8,185	25,139	8,185	25,139
Operation and Maintenance of Plant	1,323,415	1,388,045	1,323,415	1,388,045
Pupil Transportation	850,673	784,076	825,110	760,923
Central	80,266	67,576	68,266	67,576
Non-Instructional Services	630,139	596,706	62,059	90,665
Extracurricular Activities	644,406	591,151	388,283	351,137
Interest and Fiscal Charges	510,755	518,169	510,755	518,169
Total Expenses	<u>\$14,447,866</u>	<u>\$14,335,713</u>	<u>\$11,952,658</u>	<u>\$12,065,038</u>

The above table demonstrates that both the total cost and net cost of services has changed little from fiscal year 2004 and the dependence on tax revenues and unrestricted state entitlements is considerable with 84 percent of all programs supported by these revenue sources. Over 80 percent of instruction activities are supported through taxes and other general revenues. Several programs, however, receive substantial support through program revenues. Over 90 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 40 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund realized a 510 percent increase in its fund balance in fiscal year 2005 and is the result of several factors; the increase in property taxes (the result of the emergency levy passed in November 2003), the increase in tangible personal property taxes (the result of additional businesses), and the increase in parity aid in fiscal year 2005. The Capital Improvements fund experienced a fairly large decrease in its fund balance, just over 19 percent. This fund's only revenue source during fiscal year 2005 was from gifts and donations. As capital outlay needs were greater than revenues collected, a portion of the carryover fund balance was spent.

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 2005, the School District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$12,259,704, were above original budgeted revenues, in the amount of \$11,809,704. For fiscal year 2005, the School District experienced an increase in tangible personal property tax receipts greater than what was originally anticipated and a slight increase in the payment in lieu of taxes. The real estate taxes also increased in fiscal year 2005 due to the passage of the emergency levy in November 2003. The change from the final budget amounts to actual revenues received was not significant.

For expenditures, the increase from the original to final budget was less than 1 percent. Final expenditures were budgeted at \$12,372,139 while actual expenditures were \$11,742,597. The School District experienced a savings through several retirements and the elimination of one administrative position. In general, the School District appropriates conservatively. Much of the increases are due to the negotiated salary schedules and the health insurance premiums.

Actual General Fund revenues were more than expenditures by \$898,777. The revenues were higher than anticipated due to steady enrollment figures and higher than anticipated tax receipts and payment in lieu of taxes. Management made a specific effort of reducing the growth of expenditures. Expenditures will continue to rise in general but there were actions taken to keep spending in line. Contracts for services have been reviewed to determine what is actually necessary for the School District and what can be taken care of by current staffing levels. Utility usage and practices have also been reviewed for efficiency within the School District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$17,685,840 invested in capital assets (net of accumulated depreciation), a decrease of \$246,425, or 1 percent. During fiscal year 2005, the School District renovated the old industrial technology space for the vocational agricultural department and updated the welding booths and the ventilation systems. Increases in capital assets also include new student lockers at the High School, new computers for instructional classrooms, and routine equipment purchases. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Debt

The School District's outstanding debt at fiscal year end included bond anticipation notes, in the amount of \$500,000, and general obligation bonds, in the amount of \$8,941,741. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

Current Issues

The School District had projected a deficit cash position for fiscal year 2005. 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, the \$632,500 annual emergency levy was passed by the voters of the School District in November 2003. Half of the first year's collections was received in August 2004 and the other half was received in February 2005, these are reflected in the increased property tax receipts.

The State Foundation funding formula is based on the number of students residing within the School District boundaries attending public or community schools. From fiscal year 2003 to fiscal year 2004, this number dropped by approximately forty students and from fiscal year 2004 to fiscal year 2005 remained stable. Open enrollment students coming into the School District do not make up for the number of students leaving. We are anticipating another decrease of thirty to forty resident students for the 2005/2006 school year. As decisions about staffing levels and building assignments are considered, the declining student enrollment within the School District and strategies for retaining open enrollment students will be evaluated.

During negotiations with both unions during the summer of 2004, the employees agreed to change to a less expensive health insurance plan within the NBEC Insurance Benefits Program. The plan increased the co-payments for prescription drugs and instituted co-payments for doctor office visits. These changes occurred on September 1, 2004, and resulted in significant savings to the School District during fiscal year 2005. Also as part of the negotiations, the employees increased the portion they contribute towards the health insurance premiums. The health insurance premiums paid by the School District increased by only 12 percent in fiscal year 2005. The agreements reached will expire at the end of the 2005/2006 school year. For fiscal year 2006, health insurance premiums have increased by 26.8 percent for the plan the School District started September 2004. The increase in premiums is tied to the increase in usage of all NBEC health insurance plans. The low administration costs means that as usage increases, the premiums needed to cover the payments for medical services must also increase.

Based on House Bill 66, the State's biennium budget bill for fiscal years 2006 and 2007, the tangible personal property tax will begin a four-year phase out effective for tax year 2006. School districts have been promised full replacement of this lost tax over the next five years via the school funding formula and direct payments from the State (excluding the inventory taxes that were already scheduled to be eliminated and the first half-mill on bond and emergency levies). The School District is anticipating several other State Foundation payment changes being implemented by HB 66 which include the phase-out of the cost of doing business factor, the building blocks funding, and three sets of guarantee calculations. The parity aid funding formula was also changed by HB 66 and will result in a constant amount of funding for fiscal year 2006. The full effect of HB 66 will be reflected in our foundation program payments in fiscal year 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

In the mid-1990's, the School District entered into agreements with several companies located within the School District's boundaries. These agreements were in conjunction with the companies receiving a hundred percent tax abatement on tangible personal property for ten years and, for some businesses, on real estate for fifteen years. During the life of these tax abatement agreements, the assessed valuation of the real estate and tangible personal property is NOT included on the tax duplicate valuation. Currently the School District has entered into six agreements with businesses located within our boundaries. The first of these collections was received in October 1997 and in fiscal year 2005 our total collections accounted for 10 percent of our total receipts.

The first of our agreements will expire during the four-year phase out of tangible personal property taxes. The estimated value of the tangible personal property that may return to the tax duplicate (in tax year 2007) is approximately \$30 million based on current valuation and the depreciation schedules provided at the beginning of the agreements. The School District is anticipating this company to pay taxes at the reduced assessment rates of 12.5 percent for tax year 2007 and 6.25 percent for tax year 2008. Any increase in the tax duplicate may also affect the amount of funding coming from the State of Ohio through the Foundation Program currently in place, including additional parity aid monies received due to placement on the equity list as a "poor" valuation school district.

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, 2005

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,501,086
Accounts Receivable	38,175
Accrued Interest Receivable	16,358
Intergovernmental Receivable	75,265
Prepaid Items	17,418
Inventory Held for Resale	13,466
Materials and Supplies Inventory	18,895
Property Taxes Receivable	5,193,917
Nondepreciable Capital Assets	970,367
Depreciable Capital Assets, Net	16,715,473
Total Assets	26,560,420
 <u>Liabilities:</u>	
Accounts Payable	27,709
Accrued Wages and Benefits Payable	1,238,072
Intergovernmental Payable	300,116
Matured Compensated Absences Payable	22,148
Deferred Revenue	4,759,624
Accrued Interest Payable	42,866
Notes Payable	500,000
Long-Term Liabilities:	
Due Within One Year	418,473
Due in More Than One Year	9,808,785
Total Liabilities	17,117,793
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	8,856,057
Restricted For:	
Set Asides	81,325
Debt Service	462,000
Other Purposes	175,568
Unrestricted (Deficit)	(132,323)
Total Net Assets	\$9,442,627

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, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$6,430,822	\$454,942	\$127,278		(\$5,848,602)
Special	1,461,064	20,071	982,441		(458,552)
Vocational	186,639		43,710		(142,929)
Support Services:					
Pupils	574,165		5,000		(569,165)
Instructional Staff	539,602				(539,602)
Board of Education	12,092				(12,092)
Administration	831,859				(831,859)
Fiscal	363,784				(363,784)
Business	8,185				(8,185)
Operation and Maintenance of Plant	1,323,415				(1,323,415)
Pupil Transportation	850,673		13,101	\$12,462	(825,110)
Central	80,266		12,000		(68,266)
Non-Instructional Services	630,139	323,087	244,993		(62,059)
Extracurricular Activities	644,406	218,068	30,663	7,392	(388,283)
Interest and Fiscal Charges	510,755				(510,755)
Total Governmental Activities	\$14,447,866	\$1,016,168	\$1,459,186	\$19,854	(11,952,658)

General Revenues:

Property Taxes Levied for General Purposes	3,897,256
Property Taxes Levied for Debt Service	896,815
Payment in Lieu of Taxes	1,192,688
Grants and Entitlements not Restricted to Specific Programs	6,436,928
Interest	84,881
Miscellaneous	120,530
Total General Revenues	12,629,098

Change in Net Assets 676,440

Net Assets at Beginning of Year 8,766,187
Net Assets at End of Year \$9,442,627

See Accompanying Notes to the Basic Financial Statements

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

Balance Sheet
Governmental Funds
June 30, 2005

	General	Bond Retirement	Capital Improvements	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$1,894,912	\$429,754	\$902,706	\$140,030	\$3,367,402
Accounts Receivable	36,505			1,670	38,175
Accrued Interest Receivable	16,358				16,358
Intergovernmental Receivable	1,099	154		74,012	75,265
Interfund Receivable	7,500				7,500
Prepaid Items	16,610			808	17,418
Inventory Held for Resale				13,466	13,466
Materials and Supplies Inventory	16,947			1,948	18,895
<u>Restricted Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	133,684				133,684
Property Taxes Receivable	4,203,628	990,289			5,193,917
Total Assets	\$6,327,243	\$1,420,197	\$902,706	\$231,934	\$8,882,080
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities</u>					
Accounts Payable	\$21,934			\$5,775	\$27,709
Accrued Wages and Benefits Payable	1,163,122			74,950	1,238,072
Intergovernmental Payable	273,208			26,908	300,116
Interfund Payable				7,500	7,500
Matured Compensated Absences Payable	22,148				22,148
Deferred Revenue	3,919,432	924,610		34	4,844,076
Total Liabilities	5,399,844	924,610		115,167	6,439,621
<u>Fund Balances:</u>					
Reserved for Property Taxes	140,230	39,891			180,121
Reserved for Capital Improvements	81,325				81,325
Reserved for Bus Purchase	52,359				52,359
Reserved for Encumbrances	33,109			10,629	43,738
<u>Unreserved, Reported in:</u>					
General Fund	620,376				620,376
Special Revenue Funds				106,138	106,138
Debt Service Fund		455,696			455,696
Capital Projects Fund			902,706		902,706
Total Fund Balances	927,399	495,587	902,706	116,767	2,442,459
Total Liabilities and Fund Balances	\$6,327,243	\$1,420,197	\$902,706	\$231,934	\$8,882,080

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, 2005

Total Governmental Fund Balances		\$2,442,459
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		17,685,840
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	\$27,494		
Accrued Interest Receivable	12,370		
Intergovernmental Receivable	35,309		
Property Taxes Receivable	<u>9,279</u>		
			84,452

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(42,866)		
Notes Payable	(500,000)		
General Obligation Bonds Payable	(8,941,741)		
Compensated Absences Payable	<u>(1,285,517)</u>		
			<u>(10,770,124)</u>

Net Assets of Governmental Activities		<u><u>\$9,442,627</u></u>
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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, 2005

	General	Bond Retirement	Capital Improvements	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$3,942,175	\$909,999			\$4,852,174
Payment in Lieu of Taxes	1,205,829				1,205,829
Intergovernmental	6,869,480	108,930		\$916,715	7,895,125
Interest	77,305			1,171	78,476
Tuition and Fees	471,519				471,519
Extracurricular Activities				209,543	209,543
Charges for Services				323,087	323,087
Gifts and Donations			\$7,392	33,197	40,589
Miscellaneous	66,970	5,005		64,292	136,267
Total Revenues	<u>12,633,278</u>	<u>1,023,934</u>	<u>7,392</u>	<u>1,548,005</u>	<u>15,212,609</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	6,088,780			112,740	6,201,520
Special	806,631			541,804	1,348,435
Vocational	158,616				158,616
Support Services:					
Pupils	566,042				566,042
Instructional Staff	521,537			5,577	527,114
Board of Education	12,598				12,598
Administration	784,804			75,616	860,420
Fiscal	329,324	21,397			350,721
Business	8,185				8,185
Operation and Maintenance of Plant	1,410,360				1,410,360
Pupil Transportation	740,503			2,261	742,764
Central	68,266			12,000	80,266
Non-Instructional Services	4,032			612,999	617,031
Extracurricular Activities	318,312			245,959	564,271
Capital Outlay			223,975		223,975
Debt Service:					
Principal Retirement		1,060,000			1,060,000
Interest and Fiscal Charges		425,645			425,645
Total Expenditures	<u>11,817,990</u>	<u>1,507,042</u>	<u>223,975</u>	<u>1,608,956</u>	<u>15,157,963</u>
Excess of Revenues Over (Under) Expenditures	<u>815,288</u>	<u>(483,108)</u>	<u>(216,583)</u>	<u>(60,951)</u>	<u>54,646</u>
<u>Other Financing Sources (Uses):</u>					
Bond Anticipation Notes Issued		500,000			500,000
Transfers In				40,000	40,000
Transfers Out	(40,000)				(40,000)
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>500,000</u>		<u>40,000</u>	<u>500,000</u>
Changes in Fund Balances	775,288	16,892	(216,583)	(20,951)	554,646
Fund Balances at Beginning of Year	152,111	478,695	1,119,289	137,718	1,887,813
Fund Balances at End of Year	<u>\$927,399</u>	<u>\$495,587</u>	<u>\$902,706</u>	<u>\$116,767</u>	<u>\$2,442,459</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, 2005

Changes in Fund Balances - Total Governmental Funds		\$554,646
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 depreciation exceeded capital outlays in the current fiscal year:		
Capital Outlays	172,912	
Depreciation	<u>(416,575)</u>	(243,663)
The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of, resulting in a loss on disposal of capital assets on the statement of activities.		
		(2,762)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Property Taxes	(58,103)	
Payment in Lieu of Taxes	(13,141)	
Intergovernmental	(23,420)	
Interest	7,576	
Tuition and Fees	3,046	
Miscellaneous	<u>(4,261)</u>	(88,303)
Repayment of principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		1,060,000
Note proceeds are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.		
		(500,000)
Interest is reported as an expenditure when due in governmental funds, but is accrued on outstanding debt on the statement of net assets.		
Accrued Interest Payable	48	
Annual Accretion	<u>(85,158)</u>	(85,110)
Some expenses reported on the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds:		
Intergovernmental Payable	107,208	
Compensated Absences Payable	<u>(125,576)</u>	(18,368)
Change in Net Assets of Governmental Activities		<u><u>\$676,440</u></u>

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
General Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$3,726,552	\$3,976,552	\$3,978,084	\$1,532
Payment in Lieu of Taxes	995,000	1,195,000	1,203,576	8,576
Intergovernmental	6,540,802	6,540,802	6,869,480	328,678
Interest	18,000	18,000	43,084	25,084
Tuition and Fees	429,450	429,450	471,537	42,087
Gifts and Donations		1,000	114	(886)
Miscellaneous	99,900	98,900	75,499	(23,401)
Total Revenues	<u>11,809,704</u>	<u>12,259,704</u>	<u>12,641,374</u>	<u>381,670</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,111,719	6,204,201	6,067,937	136,264
Special	843,025	847,739	813,088	34,651
Vocational	242,456	193,126	161,725	31,401
Support Services:				
Pupils	587,697	589,129	556,703	32,426
Instructional Staff	581,931	583,011	511,909	71,102
Board of Education	20,725	20,725	12,282	8,443
Administration	836,429	835,078	790,136	44,942
Fiscal	399,592	377,063	323,913	53,150
Business	35,100	20,100	8,173	11,927
Operation and Maintenance of Plant	1,439,109	1,514,493	1,394,022	120,471
Pupil Transportation	760,832	753,249	724,691	28,558
Central	94,000	108,700	68,306	40,394
Non-Instructional Services	5,000	5,000	4,012	988
Extracurricular Activities	320,525	320,525	305,700	14,825
Total Expenditures	<u>12,278,140</u>	<u>12,372,139</u>	<u>11,742,597</u>	<u>629,542</u>
Excess of Revenues Over (Under) Expenditures	<u>(468,436)</u>	<u>(112,435)</u>	<u>898,777</u>	<u>1,011,212</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	5,000	5,000	15,350	10,350
Advances Out			(7,500)	(7,500)
Transfers Out		(60,000)	(40,000)	20,000
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>(55,000)</u>	<u>(32,150)</u>	<u>22,850</u>
Changes in Fund Balance	(463,436)	(167,435)	866,627	1,034,062
Fund Balance at Beginning of Year	1,072,218	1,072,218	1,072,218	
Prior Year Encumbrances Appropriated	57,290	57,290	57,290	
Fund Balance at End of Year	<u>\$666,072</u>	<u>\$962,073</u>	<u>\$1,996,135</u>	<u>\$1,034,062</u>

See Accompanying Notes to the Basic Financial Statements

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

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	<u>\$1,153</u>	<u>\$56,937</u>
<u>Liabilities:</u>		
Due to Students		<u>56,937</u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	<u>\$1,153</u>	

See Accompanying Notes to the Basic Financial Statements

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

Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2005

Additions:

Interest	\$71
Gifts and Donations	1,161
Total Additions	<u>1,232</u>

Deductions:

Non-Instructional Services	<u>505</u>
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Change in Net Assets 727

Net Assets at Beginning of Year 426

Net Assets at End of Year \$1,153

See Accompanying Notes to the Basic Financial Statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 352nd largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by seventy-one classified employees, ninety-six certified teaching personnel, and five administrative employees who provide services to 1,583 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.

The School District participates in six jointly governed organizations, three 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 Northwest Ohio Educational Council Insurance Pool, 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 20, 21, and 22 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, 2005
(CONTINUED)**

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 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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.

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.

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 after graduation. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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., 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.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

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.

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, charges for services, and rent.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Property taxes for which there was an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 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 an alternative tax budget (consists of a five-year forecast and debt schedules), the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative 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.

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".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

During fiscal year 2005, 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, 2005.

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 2005 was \$77,305, which includes \$34,119 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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 externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or 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 generally 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 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

All capital assets, except land, 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:

<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 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 paid 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.

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, 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. Bonds are recognized as liabilities on the fund financial statements when due.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. As of June 30, 2005, net assets restricted by enabling legislation were \$502,366.

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2005, the School District has implemented GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers", GASB Statement No. 40, "Deposit and Investment Risk Disclosure", and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Technical Bulletin 2004-2 establishes new guidance addressing the amount that should be recognized as expenditures/expenses and as liabilities each period by employers participating in cost-sharing multiple-employer pension and other postemployment benefit plans.

GASB Statement No. 40 establishes and modifies the disclosure requirements related to deposit and investment risks. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

NOTE 4 - ACCOUNTABILITY

At June 30, 2005, the Food Service, Education Management Information Systems, Title I, Title VI-R, and Other State Grants special revenue funds had deficit fund balances, in the amount of \$4,572, \$21, \$1,607, \$228, and \$14, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING – (CONTINUED)

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

Changes in Fund Balance	
GAAP Basis	\$775,288
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received in Cash FY 2005	396,642
Accrued FY 2005, Not Yet Received in Cash	(338,158)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(1,363,430)
Accrued FY 2005, Not Yet Paid in Cash	1,480,412
Cash Adjustments:	
Unrecorded Activity FY 2004	(51,842)
Unrecorded Activity FY 2005	16,804
Prepaid Items	5,547
Materials and Supplies Inventory	2,129
Advances Out	(7,500)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(49,265)
Budget Basis	\$866,627

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Interim monies held by the School District 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,262,201 of the School District's bank balance of \$1,594,156 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department; of which \$900,000 was collateralized in the pledging financial institution's name. None of the financial institutions have met the requirement of the Financial Institutions Reform, Recovery, and Enforcement Act.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2005, the School District had the following investments.

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Notes	\$495,150	February 13, 2006
Federal Home Loan Mortgage Corporation Notes	492,585	June 16, 2006
Federal Home Loan Bank Bonds	495,470	September 8, 2006
Federal National Mortgage Association Notes	498,595	May 25, 2007
STAR Ohio	<u>171,212</u>	30.4 Days
Total	<u>\$2,153,012</u>	

The School District's investment policy does not address any restriction on investments relating to interest rate, credit, or custodial credit risks. The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, and Federal National Mortgage Association Notes carry a rating of Aaa by Moodys and AAA by Fitch. STAR Ohio carries a rating of AAA by Standard and Poor's.

The Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, and the Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name.

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)

	Fair Value	Percentage of Portfolio
Federal Home Loan Mortgage Corporation Notes	\$987,735	45.88%
Federal Home Loan Bank Bonds	495,470	23.01
Federal National Mortgage Association Notes	498,595	23.16
Total Investments	\$1,981,800	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005, 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:

	Amount
Governmental Activities	
General Fund	
Homestead and Rollback	\$1,099
Bond Retirement Fund	
Homestead and Rollback	154
Other Governmental Funds	
Food Service	25,234
Student Reading Intervention	11,044
Title I	24,894
Title VI	3,004
Drug Free	910
Title II-A	8,645
Miscellaneous Federal Grants	281
Total Other Governmental Funds	74,012
Total Intergovernmental Receivables	\$75,265

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 8 - PROPERTY TAXES – (CONTINUED)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, 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.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 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 2005.

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, 2005, are available to finance fiscal year 2005 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, 2005, 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, 2005, was \$140,230 in the General Fund and \$39,891 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2004, was \$171,267 in the General Fund and \$47,261 in the Bond Retirement debt service fund.

The late settlement made by the County for fiscal year 2005 was \$184,929 in the General Fund and \$25,942 in the Bond Retirement debt service fund. For fiscal year 2004, these amounts were \$189,801 in the General Fund and \$26,625 in the Bond Retirement debt service fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. 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, 2005
(CONTINUED)**

NOTE 8 - PROPERTY TAXES – (CONTINUED)

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$104,637,570	74.08%	\$106,369,510	72.36%
Industrial/Commercial	13,793,510	9.76	14,070,160	9.57
Public Utility	9,570,180	6.78	10,259,970	6.98
Tangible Personal	13,254,800	9.38	16,298,478	11.09
Total Assessed Value	\$141,256,060	100.00%	\$146,998,118	100.00%
Tax rate per \$1,000 of assessed valuation	\$57.90		\$57.90	

NOTE 9 - PAYMENT IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owner's contractual promise to make these payments in lieu of taxes generally continue until the agreement expires.

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$970,367	\$0	\$0	\$970,367
				(continued)

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 10 - CAPITAL ASSETS – (CONTINUED)

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
Depreciable Capital Assets				
Land Improvements	\$1,121,352	\$12,646	\$0	\$1,133,998
Buildings and Building Improvements	17,158,582	86,439		17,245,021
Furniture, Fixtures, and Equipment	965,158	73,827	(5,217)	1,033,768
Vehicles	1,348,400		(5,689)	1,342,711
Total Depreciable Capital Assets	20,593,492	172,912	(10,906)	20,755,498
Less Accumulated Depreciation				
Land Improvements	(102,800)	(26,444)		(129,244)
Buildings and Building Improvements	(2,766,204)	(250,308)		(3,016,512)
Furniture, Fixtures, and Equipment	(237,379)	(49,961)	3,782	(283,558)
Vehicles	(525,211)	(89,862)	4,362	(610,711)
Total Accumulated Depreciation	(3,631,594)	(416,575)	8,144	(4,040,025)
Depreciable Capital Assets, Net	16,961,898	(243,663)	(2,762)	16,715,473
Governmental Activities Capital Assets, Net	<u>\$17,932,265</u>	<u>(\$243,663)</u>	<u>(\$2,762)</u>	<u>\$17,685,840</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$142,249
Special	14,312
Vocational	14,479
Support Services:	
Pupils	5,139
Instructional Staff	12,637
Administration	8,679
Fiscal	3,235
Operation and Maintenance of Plant	36,883
Pupil Transportation	89,715
Non-Instructional Services	24,454
Extracurricular Activities	64,793
Total Depreciation Expense	<u><u>\$416,575</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 11 - INTERFUND ASSETS/LIABILITIES

At June 30, 2005, the General Fund had an interfund receivable and other governmental funds had an interfund payable, in the amount of \$7,500, resulting from the provision of cash flow resources until the receipt of grant monies by the other governmental funds.

NOTE 12 - 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 2005, 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	\$1,000,000
Total per Year	3,000,000
Vehicle Liability	1,000,000
Uninsured/Underinsured Motorists	1,000,000
Employee Benefit Liability	
Per Occurrence	1,000,000
Total per Year	3,000,000

Coverage provided by Chubb Group of Insurance Companies is as follows:

Building and Contents	\$50,000,000
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Coverage provided by Travelers Insurance Companies is as follows:

Excess Property	\$150,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2005, the School District participated in the Northwest Ohio Educational Council Insurance Pool (Pool), an insurance purchasing pool. Each participant enters into an individual agreement with the Pool for insurance coverage and pays annual premiums to the Pool based on the types and limits of coverage and deductibles selected by the participant.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 12 - RISK MANAGEMENT – (CONTINUED)

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 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 13 - 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.

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, 2005, plan members were required to contribute 10 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003, was \$645,067, \$633,425, and \$630,823, respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003. Contributions for the DCP and CP for the fiscal year ended June 30, 2005, were \$14,878 made by the School District and \$28,665 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, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 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, 2005, 2004, and 2003, were \$166,622, \$148,243, and \$133,352, respectively; 51 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003.

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, 2005, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - 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.

STRS retirees who participate in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All 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 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$50,765.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 14 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 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. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 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 2005, the minimum pay was established at \$27,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$78,046 for fiscal year 2005.

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, 2005, were \$178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 58,123 participants currently receiving health care benefits.

NOTE 15 - 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 ten 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 twenty days for classified employees and two hundred eight days for certified employees. Upon retirement, payment is made for one-half of accrued, but unused sick leave credit to a maximum of seventy-five days for classified employees. For certified employees, they are entitled to the amount of their most recent teaching salary divided by three, plus an additional payment of \$75 per day times forty-five days minus the number of sick days used during his/her last three years. An additional amount of \$750 will be paid to employees filing for retirement by February 1 of the year in which they plan to retire.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 15 - OTHER EMPLOYEE BENEFITS – (CONTINUED)

B. Health Care Benefits

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

NOTE 16 - NOTES PAYABLE

The School District's notes payable activity for the fiscal year ended June 30, 2005, was as follows:

	Rate	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
Governmental Activities					
Notes Payable	1.96%	\$800,000	\$0	\$800,000	\$0
Notes Payable	3.45		500,000		500,000
		<u>\$800,000</u>	<u>\$500,000</u>	<u>\$800,000</u>	<u>\$500,000</u>

On December 9, 2004, the School District issued bond anticipation notes, in the amount of \$500,000, 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 Section 133.18. The notes had an interest rate of 3.45 percent and were paid off on December 8, 2005.

NOTE 17 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY98 School Improvement Bonds					
Serial Bonds 4-4.95%	\$3,960,000	\$0	\$260,000	\$3,700,000	\$280,000
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	526,800	85,158		611,958	
	<u>526,800</u>	<u>85,158</u>		<u>611,958</u>	

(continued)

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 17 - LONG-TERM OBLIGATIONS – (CONTINUED)

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>	<u>Amounts Due Within One Year</u>
Total General Obligation Bonds	\$9,116,583	\$85,158	\$260,000	\$8,941,741	\$280,000
Compensated Absences Payable	<u>1,159,941</u>	<u>256,227</u>	<u>130,651</u>	<u>1,285,517</u>	<u>138,473</u>
Total Governmental Activities Long -Term Obligations	<u>\$10,276,524</u>	<u>\$341,385</u>	<u>\$390,651</u>	<u>\$10,227,258</u>	<u>\$418,473</u>

FY98 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:

<u>Year</u>	<u>Amount</u>
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:

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2008 through November 30, 2009	101 %
December 1, 2009 through November 30, 2010	100.5
December 1, 2010 and thereafter	100

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 17 - LONG-TERM OBLIGATIONS – (CONTINUED)

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 \$1,375,000. For fiscal year 2005, \$85,158 was accreted for a total bond value of \$821,741 at fiscal year end.

Compensated absences will be paid from the General Fund, and the Food Service and Title I special revenue funds.

The School District's overall debt margin was \$4,895,635 with an unvoted debt margin of \$146,998 at June 30, 2005.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2006	\$280,000	\$0	\$0	\$392,962	\$672,962
2007	345,000			378,814	723,814
2008	360,000			362,775	722,775
2009	360,000			346,305	706,305
2010	405,000			328,710	733,710
2011-2015	1,950,000		209,783	2,588,605	4,748,388
2016-2020		4,420,000		576,300	4,996,300
Total	\$3,700,000	\$4,420,000	\$209,783	\$4,974,471	\$13,304,254

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 2005.

	Textbooks	Capital Improvements
Balance June 30, 2004	(\$105,109)	\$119,677
Current Year Set Aside Requirement	209,111	209,111
Qualifying Expenditures	(161,391)	(247,463)
Balance June 30, 2005	(\$57,389)	\$81,325

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 18 - SET ASIDES – (CONTINUED)

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.

NOTE 19 - INTERFUND TRANSFERS

During fiscal year 2005, the General Fund transferred \$40,000 to other governmental funds to subsidize food service operations.

NOTE 20 - 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 2005, the School District paid \$67,114 to NWOCA for various services. Financial information can be obtained from Robin Pfund, 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, Robin Pfund, 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 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 21 - INSURANCE POOLS

A. Northwest Ohio Educational Council Insurance Pool

The School District participates in the Northwest Ohio Educational Council Insurance Pool (Pool), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Pool is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Pool's business and affairs are conducted by a nine member board consisting of superintendents and treasurers. Financial information can be obtained from the Lucas County Educational Service Center, Richard Cox, Treasurer, 2275 Collingwood Boulevard, Toledo, Ohio, 43620.

B. 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.

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

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The 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 NBEC 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 22 - 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 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 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, 2005.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 23 – CONTINGENCIES – (CONTINUED)

B. Litigation

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

NOTE 24 - SUBSEQUENT EVENT

On December 13, 2005, the School District issued School Improvement Refunding Bonds, in the amount of \$6,775,000, to refund a portion of the fiscal year 1998 School Improvement Bonds. The School Improvement Refunding Bonds will mature in 2019. The 1998 School Improvement Bonds, in the amount of \$4,420,000, were fully defeased at June 30, 2005.

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

**Schedule of Federal Award Receipts and Expenditures
For the Year Ended June 30, 2005**

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
National School Breakfast Program	047084-PU-2004 047084-PU-2005	10.553
Total National School Breakfast Program		
National School Lunch Program	047084-LLP4-2004 047084-LLP4-2005	10.555
Total National School Lunch Program		
Total U.S. Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies	047084-C1-S1-2004 047084-C1-S1-2005	84.010
Safe and Drug Free Schools and Communities State Grant	047084-DR-S1-2004 047084-DR-S1-2005	84.186
State Grants for Innovative Programs	047084-C2-S1-2004 047084-C2-S1-2005	84.298
Education Technology State Grants	047084-TJ-S1-2004 047084-TJ-S1-2005	84.318
Improving Teacher Quality State Grants	047084-TR-S1-2004 047084-TR-S1-2005	84.367
Total U.S. Department of Education		
Total Federal Award Receipts and Expenditures		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$ 65,599		\$ 65,599
\$ 8,559		\$ 8,559	
18,785		18,785	
<u>27,344</u>		<u>27,344</u>	
40,543		40,543	
101,158		101,158	
<u>141,701</u>		<u>141,701</u>	
<u>169,045</u>	<u>65,599</u>	<u>169,045</u>	<u>65,599</u>
3,842		28,869	
184,138		186,651	
<u>187,980</u>		<u>215,520</u>	
764		1,593	
6,013		5,290	
<u>6,777</u>		<u>6,883</u>	
1,577		5,887	
3,247		2,587	
<u>4,824</u>		<u>8,474</u>	
(267)		591	
6,140		5,690	
<u>5,873</u>		<u>6,281</u>	
18,103		18,370	
56,633		54,836	
<u>74,736</u>		<u>73,206</u>	
<u>280,190</u>		<u>310,364</u>	
<u>\$ 449,235</u>	<u>\$ 65,599</u>	<u>\$ 479,409</u>	<u>\$ 65,599</u>

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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 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, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated April 12, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed

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an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the School District's management dated April 12, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for 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, 2006



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 apply to its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, Pike-Delta-York Local School District, Fulton County complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2005. In a separate letter to the School District's management dated April 12, 2006, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The School District's management 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 directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when 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 intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

April 12, 2006

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster CFDA #10.550, #10.553, #10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2005-001

Finding for Recovery Repaid Under Audit

Pike-Delta-York Board of Education Resolution #106-04; 04-05 Non-Union Salaries, passed July 13, 2004 and effective August 2004, provides that Supervisors shall receive an increase by 2% on base salary. Robert Kinsman, Supervisor of Maintenance, received a 3% increase on base salary and was paid at the incorrect daily rate for the period beginning in August 2004 through October 22, 2004 (date of retirement), along with his final severance calculation as follows:

**FINDING NUMBER 2005-001
 (Continued)**

<u>Calculation of Overpayments</u>		
Daily Rate Paid in Error		\$167.700
2004/2005 Salary	\$43,345	
Contract Days	<u>260</u>	
Correct Daily Rate		<u>\$166.713</u>
Excess Rate Paid		\$ 0.987
Contract days worked and Paid		
August to October, 22, 2004	65.00	
Days paid for Severance upon Retirement	<u>103.45</u>	
Total Days Paid		<u>168.45</u>
Overpayment		<u>\$ 166.26</u>

Based upon the foregoing facts and pursuant to Ohio Revised Code §117.28, a finding for recovery for public money illegally expended is hereby issued against Robert Kinsman, Supervisor of Maintenance (retired), Joyce Kinsman, Treasurer, and the Travelers Casualty and Surety Company of America, Ms. Kinsman's bonding company, jointly and severally, in favor of the General Fund of Pike-Delta-York Local School District in the total amount of \$166.26.

Payment in the amount of \$166.26 was received from Robert Kinsman on March 10, 2006. Receipt number 040555 was issued and the monies were recorded to the Districts' General Fund.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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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 9, 2006**