



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

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Mary Taylor, CPA**  
Auditor of State



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

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# Mary Taylor, CPA

Auditor of State

## 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 District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2006, 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 May 7, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information 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 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 basic financial statements. We subjected the federal awards 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 basic financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

May 7, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

The discussion and analysis of Pike-Delta-York Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. 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 2006 are as follows:

- In total, net assets increased \$1,758,191, or over 18 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.
- The District refinanced \$6,120,007 of Series 1998 serial bonds and \$654,993 of Series 1998 capital appreciation bonds. The refunding reduced the District's total debt service payments by \$519,606 over the next 15 years.
- 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 2006, there was a slight decrease in the amount received. In fiscal year 2006, all of the revenue generated through these agreements was used for general operating expenses of the School District and accounted for over 8 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 2006. Parity aid is distributed to low wealth school districts based on the valuation of real and personal property within their boundaries. The main component of the State foundation allocation is 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. For fiscal year 2006, the State foundation payments remained constant due to the "guarantees" granted by HB66, the State biennium budget for fiscal year 2006 and fiscal year 2007.
- 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 by reducing the increase in the districts share of premiums for health insurance benefits to 12 percent. The per policy premiums increased by 26.8 percent in fiscal year 2006 with the School District making no changes in the health insurance plan.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Using the Basic Financial Statements**

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

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

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

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2006. 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 funds are the General Fund, the Bond Retirement debt service fund, and the Capital Improvements capital projects fund.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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(Continued)**

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

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2006 and fiscal year 2005

Table 1  
Net Assets

	Governmental Activities	
	2006	2005
<u>Assets:</u>		
Current and Other Assets	\$10,909,570	\$8,874,580
Capital Assets, Net	17,478,766	17,685,840
Total Assets	<u>28,388,336</u>	<u>26,560,420</u>
<u>Liabilities:</u>		
Current and Other Liabilities	7,063,580	6,890,535
Long-Term Liabilities	10,123,938	10,227,258
Total Liabilities	<u>17,187,518</u>	<u>17,117,793</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	9,887,564	8,856,057
Restricted	339,938	718,893
Unrestricted (Deficit)	973,316	(132,323)
Total Net Assets	<u>\$11,200,818</u>	<u>\$9,442,627</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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(Continued)**

Total assets increased \$1,827,916. This increase was almost 7 percent and consisted of an approximate increase in property taxes receivable of \$1.6 million and in cash and cash equivalents of \$350,000. The increase in property taxes is due to the taxes for North Star Bluescope Steel paid to the Fulton County Auditor for tax year 2004, 2005, and 2006, but not paid to the School District until July 2006. In addition, in tax year 2005, Fulton County had a full reappraisal of real estate and since the School District is currently collecting 20 mills for operating funds, the increased values resulted in more tax receipts for the School District. The School District has continued to maintain spending levels within the original budget and guidelines established by the Superintendent and Treasurer throughout the fiscal year. Even as additional revenues were received during the fiscal year that were above the original estimates, the spending plan was adhered to which added to the amount of cash being held by the School District. Both of these factors contributed to the increase noted in unrestricted net assets.

Total liabilities increased \$69,725, or less than 1 percent.

Table 2 reflects the changes in net assets for fiscal year 2006 and fiscal year 2005.

Table 2  
Change in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$998,108	\$1,016,168
Operating Grants, Contributions, and Interest	1,516,690	1,459,186
Capital Grants and Contributions	158,882	19,854
Total Program Revenues	<u>2,673,680</u>	<u>2,495,208</u>
General Revenues		
Property Taxes Levied for General Purposes	4,853,059	3,897,256
Property Taxes Levied for Debt Service	1,070,710	896,815
Payment in Lieu of Taxes	1,169,985	1,192,688
Grants and Entitlements	6,582,831	6,436,928
Interest	157,008	84,881
Miscellaneous	141,992	120,530
Total General Revenues	<u>13,975,585</u>	<u>12,629,098</u>
Total Revenues	<u>16,649,265</u>	<u>15,124,306</u>

(continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

Table 2  
Change in Net Assets  
(continued)

<u>Expenses</u>	Governmental Activities 2006	Governmental Activities 2005
Instruction:		
Regular	\$6,750,091	\$6,430,822
Special	1,401,338	1,461,064
Vocational	147,006	186,639
Support Services:		
Pupils	588,353	574,165
Instructional Staff	631,361	539,602
Board of Education	17,936	12,092
Administration	920,748	831,859
Fiscal	357,644	363,784
Business	13,981	8,185
Operation and Maintenance of Plant	1,550,400	1,323,415
Pupil Transportation	812,369	850,673
Central	76,259	80,266
Non-Instructional Services	595,183	630,139
Extracurricular Activities	619,890	644,406
Interest and Fiscal Charges	408,515	510,755
Total Expenses	<u>14,891,074</u>	<u>14,447,866</u>
Increase in Net Assets	1,758,191	676,440
Net Assets at Beginning of Year	<u>9,442,627</u>	<u>8,766,187</u>
Net Assets at End of Year	<u>\$11,200,818</u>	<u>\$9,442,627</u>

Program revenues represent 16 percent of total revenues (the same as fiscal year 2005) and primarily consist of restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales. Note, however, that there was a 10 percent increase in general revenues and a 10 percent increase in revenues overall. This is reflected in property taxes and due in large part to the reappraisal of property.

Program expenses remained very comparable to the prior fiscal year, an overall increase of 3 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 10 percent. Therefore, 80 percent of the School District's expenses are related to the primary functions of providing facilities and delivering education.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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(Continued)**

As can be seen, these costs are substantially funded (84 percent) from property taxes and unrestricted grants and entitlements, that being State foundation resources.

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	
	2006	2005	2006	2005
Instruction:				
Regular	\$6,750,091	\$6,430,822	\$6,135,827	\$5,848,602
Special	1,401,338	1,461,064	373,004	458,552
Vocational	147,006	186,639	108,312	142,929
Support Services:				
Pupils	588,353	574,165	583,264	569,165
Instructional Staff	631,361	539,602	631,361	539,602
Board of Education	17,936	12,092	17,936	12,092
Administration	920,748	831,859	920,748	831,859
Fiscal	357,644	363,784	357,644	363,784
Business	13,981	8,185	13,981	8,185
Operation and Maintenance of Plant	1,550,400	1,323,415	1,550,400	1,323,415
Pupil Transportation	812,369	850,673	791,040	825,110
Central	76,259	80,266	64,259	68,266
Non-Instructional Services	595,183	630,139	(9,206)	62,059
Extracurricular Activities	619,890	644,406	270,309	388,283
Interest and Fiscal Charges	408,515	510,755	408,515	510,755
Total Expenses	<u>\$14,891,074</u>	<u>\$14,447,866</u>	<u>\$12,217,394</u>	<u>\$11,952,658</u>

The above table demonstrates that both the total cost and net cost of services has changed little from fiscal year 2005 and the dependence on tax revenues and unrestricted state entitlements is considerable with 84 percent of all programs supported by these revenue sources. Almost 80 percent of instruction activities are supported through taxes and other general revenues. Several programs, however, receive substantial support through program revenues. Approximately 73 percent of special instruction costs are provided for through programs revenues. This is the result of various grants restricted for special instruction purposes. All of the 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 56 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, 2006  
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 136 percent increase in its fund balance in fiscal year 2006 and is the result of several factors; the increase in property taxes (the result of the reappraisal within Fulton County and collecting taxes at 20 mills), the increase in tangible personal property taxes (the result of North Star Bluescope Steel's additional taxes), and the stable State foundation payment in fiscal year 2006. The fund balance in the Bond Retirement fund increased significantly as taxes collected exceeded the amount needed for debt payments during the fiscal year. The Capital Improvements fund experienced a fairly large decrease in its fund balance, almost 20 percent. This fund's only revenue source during fiscal year 2006 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 2006, the School District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$11,797,950, were equal to original budgeted revenues. For fiscal year 2006, the School District experienced an increase in real estate tax receipts and tangible personal property tax receipts greater than what was originally anticipated and a slight increase in the payment in lieu of taxes. The State foundation payment was higher than originally anticipated due to the "guarantee" established in HB 66. The homestead and rollback receipts were \$40,000 higher expected and the tangible personal property "Hold Harmless" payment was not originally included in the budget. The School District received \$51,000 from the Hold Harmless payment in May 2006. The change from the final budget amounts to actual revenues received was \$1,234,651.

For expenditures, the increase from the original to final budget was less than 1 percent. Final expenditures were budgeted at \$13,261,379 while actual expenditures were \$12,595,160. The School District experienced a savings through several retirements and spending less than budgeted for substitute teachers. In general, the School District appropriates and operates conservatively.

Actual General Fund revenues were more than expenditures by \$437,441. The revenues were higher than anticipated due to steady enrollment figures and higher than anticipated tax receipts and payment in lieu of taxes. Expenditures will continue to rise in general but each area for potential cost savings is evaluated when the opportunity is presented. Contracts for services will continue to be 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2006, the School District had \$17,478,766 invested in capital assets (net of accumulated depreciation), a decrease of \$207,074, or 1 percent. There were a limited number of capital purchases in fiscal year 2006 due to the anticipation of the School District's eligibility for a building project through the Ohio Schools Facility Commission within the next twelve to twenty-four months. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

**Debt**

The School District's outstanding debt at fiscal year end included general obligation bonds, in the amount of \$8,899,924. 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 State Foundation funding formula is based on the number of students residing within the School District boundaries attending public or community schools. The School District has been experiencing a decline in enrollment over the past several years. In fiscal year 2004, the funding formula eliminated using the three year average of Average Daily Membership as the basis of the funding, so the School District experienced a significant decrease in our State funding. From fiscal year 2005 to fiscal year 2006, the School District had a decline of over 28 students in the funding formula. This did not have a financial impact on the School District in fiscal year 2006 due to the funding "guarantee" implemented by HB66, the State's biennium budget for fiscal years 2006 and 2007. Open enrollment students coming into the School District have not made up for the number of students leaving, but for the 2006/2007 school year, the gap is closing. 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 continue to be evaluated.

During negotiations with both unions in the spring of 2006, the employees agreed to remain with the current health insurance plan within the NBEC Insurance Benefits Program. The School District moved to this plan on September 1, 2004. Also as part of the negotiations, the certified employees increased the portion they contribute towards the health insurance premiums. During fiscal year 2006, health insurance premiums increased by 26.8 percent for the School District, but for fiscal year 2007 the premiums have decreased by 2 percent. The increase or decrease in premiums is tied to the usage of all NBEC health insurance plans. The low administration costs means that as usage changes, the premiums needed to cover the payments for medical services will also change accordingly.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT  
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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 resulted 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.

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 100 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 2006 our total collections accounted for over 8 percent of our total General Fund receipts. In September 2006, the School District did receive the tenth and final donation payment from North Star Bluescope Steel. This payment was for over \$800,000 and the loss of this payment will change the sources of a significant portion of the operating funds for the School District.

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. The School District is anticipating that the State Foundation payment formula implemented by HB 66 will continue to include three sets of guarantee calculations so even with the potential increase in the School District's assessed valuation, there will not be an offsetting decrease in State funding.

The School District has been anticipating that the Ohio Schools Facility Commission would be issuing their fiscal year 2007 equity listing and that we would be within ten to twenty districts away from getting funding for a complete renovation of the School District's facilities. In spring 2006, the School District was visited by representatives from OSFC to let us know that we may be getting close to the funding point. Since that time, the School District has been actively looking for and has identified an architecture firm to work with to develop the School District's Master Plan. Currently, we know that our Master Plan will include renovations to the High School building and the Middle School building, and the abandonment of the Delta Elementary School and York Elementary School buildings. The School District has started working with a Community Facility Planning Committee to develop a Master Plan that the voters of the School District will support once OSFC approves our funding. The Community Facility Planning Committee will help determine if an addition to the Middle School or a separate building will accommodate kindergarten to fifth grade or whether some other grade configuration will be feasible within the School District. The School District hopes to hear from OSFC in March or April 2007 regarding our funding status.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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**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.



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

**Statement of Net Assets  
June 30, 2006**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,851,168
Accounts Receivable	18,952
Accrued Interest Receivable	18,012
Intergovernmental Receivable	47,677
Prepaid Items	23,323
Inventory Held for Resale	14,653
Materials and Supplies Inventory	24,042
Property Taxes Receivable	6,789,902
Unamortized Issuance Costs	121,841
Nondepreciable Capital Assets	970,367
Depreciable Capital Assets, Net	16,508,399
Total Assets	28,388,336
 <u>Liabilities:</u>	
Accounts Payable	72,006
Accrued Wages and Benefits Payable	1,117,215
Intergovernmental Payable	292,302
Matured Compensated Absences Payable	21,229
Deferred Revenue	5,537,281
Accrued Interest Payable	23,547
Long-Term Liabilities:	
Due Within One Year	888,596
Due in More Than One Year	9,235,342
Total Liabilities	17,187,518
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	9,887,564
Restricted For:	
Set Asides	126,155
Debt Service	110,967
Capital Projects	173
Other Purposes	102,643
Unrestricted	973,316
Total Net Assets	\$11,200,818

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, 2006**

	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	\$6,750,091	\$468,451	\$129,685	\$16,128	(\$6,135,827)
Special	1,401,338	12,966	1,015,368		(373,004)
Vocational	147,006		38,694		(108,312)
Support Services:					
Pupils	588,353		5,089		(583,264)
Instructional Staff	631,361				(631,361)
Board of Education	17,936				(17,936)
Administration	920,748				(920,748)
Fiscal	357,644				(357,644)
Business	13,981				(13,981)
Operation and Maintenance of Plant	1,550,400				(1,550,400)
Pupil Transportation	812,369		13,307	8,022	(791,040)
Central	76,259		12,000		(64,259)
Non-Instructional Services	595,183	331,126	273,263		9,206
Extracurricular Activities	619,890	185,565	29,284	134,732	(270,309)
Interest and Fiscal Charges	408,515				(408,515)
Total Governmental Activities	<u>\$14,891,074</u>	<u>\$998,108</u>	<u>\$1,516,690</u>	<u>\$158,882</u>	<u>(12,217,394)</u>
<u>General Revenues:</u>					
					4,853,059
					1,070,710
					1,169,985
					6,582,831
					157,008
					141,992
					<u>13,975,585</u>
					1,758,191
					9,442,627
					<u>\$11,200,818</u>

See Accompanying Notes to the Basic Financial Statements

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

**Balance Sheet  
Governmental Funds  
June 30, 2006**

	General	Bond Retirement	Capital Improvements	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$2,395,402	\$418,872	\$759,379	\$143,338	\$3,716,991
Accounts Receivable	18,079			873	18,952
Accrued Interest Receivable	18,012				18,012
Intergovernmental Receivable	1,217	171		46,289	47,677
Interfund Receivable	4,358				4,358
Prepaid Items	22,140		281	902	23,323
Inventory Held for Resale				14,653	14,653
Materials and Supplies Inventory	22,104			1,938	24,042
<u>Restricted Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	134,177				134,177
Property Taxes Receivable	5,665,824	1,124,078			6,789,902
<b>Total Assets</b>	<b>\$8,281,313</b>	<b>\$1,543,121</b>	<b>\$759,660</b>	<b>\$207,993</b>	<b>\$10,792,087</b>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities</u>					
Accounts Payable	\$32,966		\$36,133	\$2,907	\$72,006
Accrued Wages and Benefits Payable	1,050,259			66,956	1,117,215
Intergovernmental Payable	269,208			23,094	292,302
Interfund Payable				4,358	4,358
Matured Compensated Absences Payable	21,229				21,229
Deferred Revenue	4,719,148	\$962,095			5,681,243
<b>Total Liabilities</b>	<b>6,092,810</b>	<b>962,095</b>	<b>36,133</b>	<b>97,315</b>	<b>7,188,353</b>
<u>Fund Balances:</u>					
Reserved for Property Taxes	191,487	52,021			243,508
Reserved for Capital Improvements	126,155				126,155
Reserved for Bus Purchase	8,022				8,022
Reserved for Encumbrances	45,310		34,633	15,449	95,392
<u>Unreserved, Reported in:</u>					
General Fund	1,817,529				1,817,529
Special Revenue Funds				95,056	95,056
Debt Service Fund		529,005			529,005
Capital Projects Funds			688,894	173	689,067
<b>Total Fund Balances</b>	<b>2,188,503</b>	<b>581,026</b>	<b>723,527</b>	<b>110,678</b>	<b>3,603,734</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$8,281,313</b>	<b>\$1,543,121</b>	<b>\$759,660</b>	<b>\$207,993</b>	<b>\$10,792,087</b>

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, 2006**

Total Governmental Fund Balances	\$3,603,734
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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.	17,478,766
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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	\$13,450	
Accrued Interest Receivable	15,232	
Property Taxes Receivable	115,280	
		143,962

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.	121,841
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(23,547)	
General Obligation Bonds Payable	(8,899,924)	
Compensated Absences Payable	(1,224,014)	
		(10,147,485)

Net Assets of Governmental Activities	<u><u>\$11,200,818</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, 2006**

	General	Bond Retirement	Capital Improvements	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$4,792,213	\$1,060,965			\$5,853,178
Payment in Lieu of Taxes	1,186,258				1,186,258
Intergovernmental	6,986,585	138,050		\$961,484	8,086,119
Interest	154,146			2,726	156,872
Tuition and Fees	480,070				480,070
Extracurricular Activities				184,793	184,793
Charges for Services				331,126	331,126
Gifts and Donations			\$134,732	28,706	163,438
Miscellaneous	86,723			61,178	147,901
Total Revenues	<u>13,685,995</u>	<u>1,199,015</u>	<u>134,732</u>	<u>1,570,013</u>	<u>16,589,755</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	6,302,001			146,428	6,448,429
Special	877,050			525,844	1,402,894
Vocational	131,429				131,429
Support Services:					
Pupils	581,425				581,425
Instructional Staff	619,947			3,193	623,140
Board of Education	17,936				17,936
Administration	835,503			81,052	916,555
Fiscal	330,549	22,084			352,633
Business	13,981				13,981
Operation and Maintenance of Plant	1,517,847				1,517,847
Pupil Transportation	781,676				781,676
Central	64,259			12,000	76,259
Non-Instructional Services				589,184	589,184
Extracurricular Activities	351,288			218,401	569,689
Capital Outlay			313,911		313,911
Debt Service:					
Principal Retirement		280,000			280,000
Interest and Fiscal Charges		308,870			308,870
Issuance Costs		121,841			121,841
Total Expenditures	<u>12,424,891</u>	<u>732,795</u>	<u>313,911</u>	<u>1,576,102</u>	<u>15,047,699</u>
Excess of Revenues Over (Under) Expenditures	<u>1,261,104</u>	<u>466,220</u>	<u>(179,179)</u>	<u>(6,089)</u>	<u>1,542,056</u>
<u>Other Financing Sources (Uses):</u>					
Bonds Issued		6,775,000			6,775,000
Premium on Bonds Issued		465,553			465,553
Payment to Refunded Bond Escrow Agent		(7,111,740)			(7,111,740)
Total Other Financing Sources (Uses)		<u>128,813</u>			<u>128,813</u>
Changes in Fund Balances	1,261,104	595,033	(179,179)	(6,089)	1,670,869
Fund Balances at Beginning of Year - Restated (Note 3)	927,399	(14,007)	902,706	116,767	1,932,865
Fund Balances at End of Year	<u>\$2,188,503</u>	<u>\$581,026</u>	<u>\$723,527</u>	<u>\$110,678</u>	<u>\$3,603,734</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, 2006**

Changes in Fund Balances - Total Governmental Funds		\$1,670,869
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p> <p>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:</p>		
Capital Outlays	\$226,427	
Depreciation	<u>(421,374)</u>	(194,947)
<p>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.</p>		
		(12,127)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Property Taxes	70,591	
Payment in Lieu of Taxes	(16,273)	
Intergovernmental	101	
Interest	2,862	
Tuition and Fees	953	
Miscellaneous	<u>1,276</u>	59,510
<p>Repayment of principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		280,000
<p>The accounting loss on refunded debt is reported as an expense at the time of refunding, but is amortized over the life of the new debt on the statement of activities.</p>		
		336,740
<p>Interest is reported as an expenditure when due in governmental funds, but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued.</p>		
Accrued Interest Payable	9,725	
Annual Accretion	(109,370)	
Premium	<u>(465,553)</u>	(565,198)
<p>Issuance costs are reported as an expenditure when paid in the governmental funds, but is accrued on outstanding debt on the statement of net assets.</p>		
		121,841
<p>Compensated absences 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.</p>		
		<u>61,503</u>
Change in Net Assets of Governmental Activities		<u><u>\$1,758,191</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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Over (Under)
<u>Revenues:</u>				
Property Taxes	\$3,800,000	\$3,800,000	\$4,140,797	\$340,797
Payment in Lieu of Taxes	900,000	900,000	1,194,394	294,394
Intergovernmental	6,601,000	6,601,000	6,986,585	385,585
Interest	105,000	105,000	152,202	47,202
Tuition and Fees	342,000	342,000	475,923	133,923
Gifts and Donations		500		(500)
Miscellaneous	49,950	49,450	82,700	33,250
<b>Total Revenues</b>	<b>11,797,950</b>	<b>11,797,950</b>	<b>13,032,601</b>	<b>1,234,651</b>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,744,977	6,813,561	6,419,451	394,110
Special	964,803	967,092	881,151	85,941
Vocational	151,225	151,225	134,846	16,379
Support Services:				
Pupils	614,213	614,571	598,406	16,165
Instructional Staff	550,980	551,112	607,518	(56,406)
Board of Education	24,000	42,000	29,086	12,914
Administration	834,347	833,548	823,041	10,507
Fiscal	463,379	440,759	333,860	106,899
Business	20,250	20,250	14,635	5,615
Operation and Maintenance of Plant	1,484,960	1,499,016	1,533,834	(34,818)
Pupil Transportation	834,570	854,570	800,758	53,812
Central	113,500	113,500	63,990	49,510
Non-Instructional Services			20	(20)
Extracurricular Activities	360,175	360,175	354,564	5,611
<b>Total Expenditures</b>	<b>13,161,379</b>	<b>13,261,379</b>	<b>12,595,160</b>	<b>666,219</b>
Excess of Revenues Over (Under) Expenditures	(1,363,429)	(1,463,429)	437,441	1,900,870
<u>Other Financing Sources (Uses):</u>				
Advances In			107,500	107,500
Advances Out	(200,000)	(200,000)	(100,000)	100,000
<b>Total Other Financing Sources (Uses)</b>	<b>(200,000)</b>	<b>(200,000)</b>	<b>7,500</b>	<b>207,500</b>
Changes in Fund Balance	(1,563,429)	(1,663,429)	444,941	2,108,370
Fund Balance at Beginning of Year	1,996,135	1,996,135	1,996,135	
Prior Year Encumbrances Appropriated	49,265	49,265	49,265	
<b>Fund Balance at End of Year</b>	<b>\$481,971</b>	<b>\$381,971</b>	<b>\$2,490,341</b>	<b>\$2,108,370</b>

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, 2006**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,527	<u>\$53,787</u>
<u>Liabilities:</u>		
Due to Students		<u>53,787</u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	<u>\$1,527</u>	

See Accompanying Notes to the Basic Financial Statements



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

**Statement of Change in Fiduciary Net Assets  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2006**

Additions:

Interest	\$65
Gifts and Donations	769
Total Additions	<u>834</u>

Deductions:

Non-Instructional Services	<u>460</u>
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Change in Net Assets 374

Net Assets at Beginning of Year	<u>1,153</u>
Net Assets at End of Year	<u><u>\$1,527</u></u>

See Accompanying Notes to the Basic Financial Statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**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 360<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by sixty-five classified employees, ninety-five certified teaching personnel, and six administrative employees who provide services to 1,537 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 19, 20, and 21 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, 2006  
(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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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, 2006  
(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 Capital Improvements 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 general obligation bonds. The bonds were issued for the construction of a new middle school and improvements to other School District buildings.

Capital Improvements Fund - The Capital Improvements 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, 2006  
(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, and charges for services.

Deferred Revenues

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

Property taxes for which there was an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 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 appropriations 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 appropriations 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, 2006  
(Continued)**

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

During fiscal year 2006, 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, 2006.

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 2006 was \$154,146, which includes \$48,638 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, 2006, 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

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

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include 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, 2006, there were no net assets restricted by enabling legislation.

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.

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**R. Estimates**

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND CORRECTION OF AN ERROR**

**A. Change in Accounting Principles**

For fiscal year 2006, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries". GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. The implementation of this statement did not result in any change to the School District's financial statements.

**B. Correction of an Error**

In the prior fiscal year, the School District recorded notes payable as a long-term liability. This debt should have been reflected as a fund liability. The change had the following effect on fund balance as previously reported.

	General	Bond Retirement	Capital Improvements	Other Governmental	Total
Fund Balance					
June 30, 2005	\$927,399	\$495,587	\$902,706	\$116,767	\$2,442,459
Correction of an Error		(509,594)			(509,594)
Adjusted Fund Balance					
June 30, 2005	\$927,399	(\$14,007)	\$902,706	\$116,767	\$1,932,865

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2006, the Drug Free special revenue fund had a deficit fund balance, in the amount of \$34, 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.

**B. Compliance**

For the fiscal year ended June 30, 2006, the Private Purpose trust fund had expenditures in excess of appropriations, in the amount of \$60. The School District will monitor budgetary transactions to avoid this situation in the future.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

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

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

Changes in Fund Balance	
GAAP Basis	\$1,261,104
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received in Cash FY 2006	338,158
Accrued FY 2006, Not Yet Received in Cash	(988,342)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(1,480,412)
Accrued FY 2006, Not Yet Paid in Cash	1,373,662
Cash Adjustments:	
Unrecorded Activity FY 2005	(16,804)
Unrecorded Activity FY 2006	13,594
Prepaid Items	(5,530)
Materials and Supplies Inventory	(5,157)
Advances In	107,500
Advances Out	(100,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(52,832)
Budget Basis	\$444,941

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**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.

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

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)**

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, \$282,270 of the School District's bank balance of \$1,531,266 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District 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, 2006, the School District had the following investments.

	Fair Value	Maturity
Federal Home Loan Bank Bonds	\$497,815	September 8, 2006
Federal National Mortgage Association Notes	494,065	May 25, 2007
Federal Home Loan Mortgage Corporation Notes	494,225	September 27, 2007
STAR Ohio	979,774	average 34.8 Days
Total	<u>\$2,465,879</u>	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)**

The Federal Home Loan Bank Bonds, Federal National Mortgage Association Notes, and Federal Home Loan Mortgage Corporation 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 School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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.

	Fair Value	Percentage of Portfolio
Federal Home Loan Bank Bonds	\$497,815	20.19%
Federal National Mortgage Association Notes	494,065	20.04
Federal Home Loan Mortgage Corporation Notes	494,225	20.04

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006, 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	\$1,217
Bond Retirement Fund	
Homestead and Rollback	171
Other Governmental Funds	
Food Service	17,034
Title I	19,863
Title II-A	9,392
Total Other Governmental Funds	46,289
Total Intergovernmental Receivables	\$47,677

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 8 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, 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 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, 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 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, this settlement was not received by the School District within fiscal year 2006.

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, 2006, are available to finance fiscal year 2006 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, 2006, 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 and the late personal property tax settlement were 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 8 - PROPERTY TAXES – (CONTINUED)**

The amount available as an advance at June 30, 2006, was \$191,487 in the General Fund and \$52,021 in the Bond Retirement debt service fund. 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 late settlement made by the County for fiscal year 2006 was \$785,088 in the General Fund and \$110,133 in the Bond Retirement debt service fund. For fiscal year 2005, these amounts were \$184,929 in the General Fund and \$25,942 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.

The assessed values upon which fiscal year 2006 taxes were collected are:

	<u>2005 Second- Half Collections</u>		<u>2006 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$106,369,510	72.36%	\$114,739,180	76.19%
Industrial/Commercial	14,070,160	9.57	14,979,150	9.95
Public Utility	10,259,970	6.98	9,156,710	6.08
Tangible Personal	<u>16,298,478</u>	<u>11.09</u>	<u>11,720,386</u>	<u>7.78</u>
Total Assessed Value	<u>\$146,998,118</u>	<u>100.00%</u>	<u>\$150,595,426</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$56.90		\$56.90	

**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.



**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$970,367			\$970,367
Depreciable Capital Assets				
Land Improvements	\$1,133,998	\$26,095		\$1,160,093
Buildings and Building Improvements	17,245,021			17,245,021
Furniture, Fixtures, and Equipment	1,033,768	58,326		1,092,094
Vehicles	1,342,711	142,006	(\$102,788)	1,381,929
Total Depreciable Capital Assets	20,755,498	226,427	(102,788)	20,879,137
Less Accumulated Depreciation				
Land Improvements	(\$129,244)	(\$26,885)		(\$156,129)
Buildings and Building Improvements	(3,016,512)	(250,307)		(3,266,819)
Furniture, Fixtures, and Equipment	(283,558)	(54,352)		(337,910)
Vehicles	(610,711)	(89,830)	\$90,661	(609,880)
Total Accumulated Depreciation	(4,040,025)	(421,374)	90,661	(4,370,738)
Depreciable Capital Assets, Net	16,715,473	(194,947)	(12,127)	16,508,399
Governmental Activities Capital Assets, Net	\$17,685,840	(\$194,947)	(\$12,127)	\$17,478,766

**PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - CAPITAL ASSETS – (CONTINUED)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$145,125
Special	14,312
Vocational	14,479
Support Services:	
Pupils	5,139
Instructional Staff	12,770
Administration	9,545
Fiscal	3,235
Operation and Maintenance of Plant	37,032
Pupil Transportation	90,604
Non-Instructional Services	23,532
Extracurricular Activities	65,601
Total Depreciation Expense	<u>\$421,374</u>

**NOTE 11 - INTERFUND ASSETS/LIABILITIES**

At June 30, 2006, the General Fund had an interfund receivable and other governmental funds had an interfund payable, in the amount of \$4,358, resulting from the provision of cash flow resources until the receipt of grant monies by the other governmental funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**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 2006, 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	\$200,000,000
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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 2006, 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, 2006  
(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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

For the fiscal year ended June 30, 2006, 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.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2006, 2005, and 2004, was \$659,434, \$645,067, and \$633,425, respectively; 84 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$15,409 made by the School District and \$37,291 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, 2006, 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 2006 was 14 percent of annual covered payroll; 10.58 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, 2006, 2005, and 2004 were \$164,024, \$166,622, and \$148,243, respectively; 50 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004.

**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, 2006, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**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 2006, 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 \$51,911.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 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.

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 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 2006, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$76,371 for fiscal year 2006.

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, 2006, were \$158,751,207. 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, 2006, the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will not be sufficient, 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 59,492 participants currently receiving health care benefits.

**NOTE 15 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 15 - OTHER EMPLOYEE BENEFITS – (CONTINUED)**

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.

**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**

During the fiscal year ended June 30, 2006, the School District retired bond anticipation notes previously issued for the construction of a new middle school and improvements to other School District buildings, in the amount of \$500,000. The notes had an interest rate of 3.45 percent.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/06</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
FY98 School Improvement Bonds					
Serial Bonds 4-4.95%	\$3,700,000		\$2,635,000	\$1,065,000	\$345,000
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	611,958	\$85,158		697,116	
FY06 School Improvement Bonds					
Serial Bonds 3.5-4%		6,120,007		6,120,007	430,000
Capital Appreciation Bonds					
3.91-4.05%		654,993		654,993	
Accretion of Capital Appreciation Bonds		24,212		24,212	
Premium		465,553		465,553	
Accounting Loss		<u>(336,740)</u>		<u>(336,740)</u>	
Total General Obligation Bonds	\$8,941,741	\$7,013,183	\$7,055,000	\$8,899,924	\$775,000
Compensated Absences Payable	<u>1,285,517</u>	<u>90,457</u>	<u>151,960</u>	<u>1,224,014</u>	<u>113,596</u>
Total Governmental Activities Long -Term Obligations	<u>\$10,227,258</u>	<u>\$7,103,640</u>	<u>\$7,206,960</u>	<u>\$10,123,938</u>	<u>\$888,596</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 term bonds and a portion of the serial bonds were advance refunded in fiscal year 2006. The remaining bonds will be retired through the Bond Retirement debt service fund with voted property tax revenues.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS – (CONTINUED)**

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2012 and 2013. The maturity amount of the bonds is \$1,375,000. For fiscal year 2006, \$85,158 was accreted for a total bond value of \$906,899 at fiscal year end.

FY06 School Improvement Bonds - On January 24, 2006, the School District issued bonds, in the amount of \$6,775,000, to partially refund bonds previously issued in fiscal year 1998 for the construction of a middle school and improvements to other School District buildings. The refunding bond issue included serial and capital appreciation bonds, in the amount of \$6,120,007 and \$654,993, respectively. The bonds were issued for a fourteen year period, with final maturity during fiscal year 2020. The capital appreciation bonds were issued at a premium of \$465,553.

The net proceeds of the refunding bond issue, in the amount of \$7,111,740, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the 1998 School Improvement Bonds. As a result, \$6,775,000 of the 1998 School Improvement Bonds are considered to be defeased and the liability for those bonds has been removed from the School District's financial statements. At June 30, 2006, \$6,775,000 of this debt was still outstanding.

Although the refunding will result in the recognition of an accounting loss of \$336,740, the School District in effect decreased its aggregated debt service payments by \$519,606 over the next fifteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$181,726.

The serial bonds are subject to prior redemption on or after December 1, 2016, 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 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2014 through 2016. The maturity amount of the bonds is \$1,455,000. For fiscal year 2006, \$24,212 was accreted on the capital appreciation bonds for a total value of \$679,205 at fiscal year end.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS – (CONTINUED)**

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 \$3,644,264 with an unvoted debt margin of \$129,934 at June 30, 2006.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			
	Serial	Capital Appreciation	Interest	Total
2007	\$775,000		\$267,189	\$1,042,189
2008	760,000		236,625	996,625
2009	545,000		209,917	754,917
2010	555,000		188,688	743,688
2011	585,000		168,737	753,737
2012-2016	755,000	\$864,776	3,303,114	4,922,890
2017-2020	3,210,007		259,200	3,469,207
Total	<u>\$7,185,007</u>	<u>\$864,776</u>	<u>\$4,633,470</u>	<u>\$12,683,253</u>

**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 2006.

	Textbooks	Capital Improvements
Balance June 30, 2005	(\$57,389)	\$81,325
Current Year Set Aside Requirement	214,628	214,628
Qualifying Expenditures	(214,175)	(169,798)
Balance June 30, 2006	<u>(\$56,936)</u>	<u>\$126,155</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(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 - 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 2006, the School District paid \$64,611 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 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, 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, 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, 2006  
(Continued)**

**NOTE 19 - 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 the 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, 2<sup>nd</sup> 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, 2006  
(Continued)**

**NOTE 20 - 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, 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 21 - RELATED ORGANIZATION**

The Delta Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees 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, 402 Main Street, Delta, Ohio 43515.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

**B. Litigation**

The School District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The School District Board of Education is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
School Breakfast Program	047084-05PU-2005	10.553	\$ 4,522
	047084-05PU-2006	10.553	27,469
			<u>31,991</u>
National School Lunch Program	047084-LLP4-2005	10.555	20,712
	047084-LLP4-2006	10.555	141,120
Total National School Lunch Program			<u>161,832</u>
Total Nutrition Cluster			<u>193,823</u>
Food Donation Program		10.550	
Total U.S. Department of Agriculture			<u><b>193,823</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	047084-C1S1-2005	84.010	24,893
	047084-C1S1-2006	84.010	149,736
Total Title I Grants to Local Educational Agencies			<u>174,629</u>
Safe and Drug Free Schools and Communities State Grant	047084-DRS1-2005	84.186	909
	047084-DRS1-2006	84.186	6,760
Total Safe and Drug Free Schools and Communities State Grant			<u>7,669</u>
State Grants for Innovative Programs	047084-C2S1-2005	84.298	3,004
	047084-C2S1-2006	84.298	4,117
Total State Grants for Innovative Programs			<u>7,121</u>
Education Technology State Grants	047084-TJS1-2005	84.318	281
	047084-TJS1-2006	84.318	3,086
Total Education Technology State Grants			<u>3,367</u>



Non-Cash Receipts	Disbursements	Non-Cash Disbursements
	\$ 4,522	
	27,469	
	31,991	
	20,712	
	141,120	
	161,832	
	193,823	
\$ 79,625		\$ 79,625
<b>79,625</b>	<b>193,823</b>	<b>79,625</b>
	22,381	
	139,185	
	161,566	
	1,632	
	6,760	
	8,392	
	3,664	
	3,454	
	7,118	
	731	
	3,086	
	3,817	

(Continued)

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>			
Improving Teacher Quality State Grants	047084-TRS1-2005	84.367	8,645
	047084-TRS1-2006	84.367	63,937
Total Improving Teacher Quality State Grants			<u>72,582</u>
Total Department of Education			<u><b>265,368</b></u>
<b>Totals</b>			<u><u><b>\$ 459,191</b></u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	10,442	
	61,467	
	71,909	
	<b>252,802</b>	
<u><b>\$ 79,625</b></u>	<u><b>\$ 446,625</b></u>	<u><b>\$ 79,625</b></u>

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION PROGRAM**

Program regulations do not require the 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.

**NOTE C – CHILD NUTRITION CLUSTER**

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



# Mary Taylor, CPA

Auditor of State

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

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, Ohio, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures 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.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated May 7, 2007, 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

May 7, 2007



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE 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, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Pike-Delta-York Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2006.

### Internal Control Over Compliance

The 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 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.



**Mary Taylor, CPA**  
Auditor of State

May 7, 2007



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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Education Agencies CFDA 84.010  Nutrition Cluster: School Breakfast Program CFDA 10.553 National School Lunch Program CFDA 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
Finding 2005-001	Board of Education Resolution #106-04, Finding for recovery for overpayment of employment contract	Yes	Repaid under audit.



**Mary Taylor, CPA**  
Auditor of State

**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 31, 2007**