

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

**BASIC FINANCIAL STATEMENTS**

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018*

**MATT FEASEL, CFO/TREASURER**



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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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### Accountant's Compilation Report

To the Pike-Delta-York Local School District Board of Education  
Delta, Ohio

Management is responsible for the accompanying basic financial statements of the Pike-Delta-York Local School District, which comprise the statements listed in the table of contents as of June 30, 2018 and for the year then ended, and the related notes to the financial statements in accordance with the cash basis of accounting. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on the financial statements.

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is an accounting basis other than accounting principles generally accepted in the United States of America.

The management's discussion and analysis, on pages 3 through 12 was presented to supplement the basic financial statements for purposes of additional analysis. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, conclusion, nor provide any assurance on such information.

*Julian & Grube, Inc.*

Westerville, Ohio  
August 1, 2018



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The management's discussion and analysis of the Pike-Delta-York Local School District's (the "School District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2018, within the limitations of the School District's modified cash basis of accounting. 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 modified cash-basis financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2018 are as follows:

- The total net cash position of the School District decreased \$800,695 or 15.08% from fiscal year 2017.
- General cash receipts accounted for \$13,990,429 or 83.08% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,848,443 or 16.92% of total governmental activities cash receipts.
- The School District had \$17,639,567 in cash disbursements related to governmental activities; \$2,848,443 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$13,990,429 were not adequate to provide for these programs.
- The District's major funds are the general fund and bond retirement fund. The general fund had cash receipts and other financing sources of \$13,839,133 in 2018. The cash disbursements and other financing uses of the general fund totaled \$14,371,325 in 2018. The general fund's fund cash balance decreased \$532,192 from a balance of \$3,737,149 to \$3,204,957.
- The bond retirement fund had receipts of \$1,496,686 and disbursements of \$1,612,232 in 2018. The bond retirement fund cash balance decreased \$115,546 from a balance of \$1,328,784 to \$1,213,238.

**Using this Modified Cash Basis Basic Financial Statements (BFS)**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole School District, presenting an aggregate view of the School District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, there are two major governmental funds.

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did we do financially during 2018?" These statements include *only net cash assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

These two statements report the School District's net position and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the School District as a whole, the cash basis financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

In the statement of net position - cash basis and the statement of activities - cash basis, the governmental activities include School District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The statement of net position - modified cash basis and the statement of activities - cash basis can be found on pages 13-14 of this report.

### **Reporting the District's Most Significant Funds**

#### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement fund. The analysis of the School District's major governmental funds begins on page 9.

#### ***Governmental Funds***

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than GAAP. The governmental fund statements provide a detailed view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer modified cash basis financial resources that can be readily spent to finance various School District programs. Since the School District is reporting on the modified cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net modified cash position and changes in fund modified cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-16 of this report.

The School District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the School District's compliance with annually adopted budgets. The budgetary statement can be found on page 17 of this report.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

***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 in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The School District's only fiduciary funds are a private-purpose trust fund and an agency fund. Only the cash held at year end for these funds is reported on page 18-19.

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-54 of this report.

**Government-Wide Financial Analysis**

Recall that the statement of net position - cash basis provides the perspective of the School District as a whole.

The table below provides a summary of the School District's net position at June 30, 2018 and 2017.

	<b>Net Position - Cash Basis</b>	
	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 4,510,195	\$ 5,310,890
Total assets	<u>4,510,195</u>	<u>5,310,890</u>
<u>Net Position</u>		
Restricted	1,304,497	1,488,986
Unrestricted	<u>3,205,698</u>	<u>3,821,904</u>
Total net position	<u>\$ 4,510,195</u>	<u>\$ 5,310,890</u>

The total net position of the School District decreased \$800,695, which represents a 15.08% decrease from fiscal year 2017.

The balance of government-wide unrestricted net position of \$3,205,698 may be used to meet the government's ongoing obligations to citizens and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table below shows the changes in net position for fiscal year 2018 and 2017.

	<b>Change in Net Position - Cash Basis</b>	
	Governmental Activities	Governmental Activities
	<u>2018</u>	<u>2017</u>
<b>Cash Receipts:</b>		
Program cash receipts:		
Charges for services	\$ 969,275	\$ 951,794
Operating grants, contributions and interest	1,789,852	1,462,967
Capital grants and contributions	<u>89,316</u>	<u>-</u>
Total program cash receipts	<u>2,848,443</u>	<u>2,414,761</u>
General cash receipts:		
Property taxes	6,109,429	6,401,870
Payment in lieu of taxes	107,771	109,826
Unrestricted grants	7,644,531	7,507,106
Investment earnings	66,022	37,960
Miscellaneous	<u>62,676</u>	<u>108,071</u>
Total general cash receipts	<u>13,990,429</u>	<u>14,164,833</u>
Total cash receipts	<u>\$ 16,838,872</u>	<u>\$ 16,579,594</u>

- Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**Change in Net Position - Cash Basis (Continued)**

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
<b>Cash Disbursements:</b>		
Instruction:		
Regular	\$ 7,080,822	\$ 6,518,123
Special	2,358,939	1,986,931
Vocational	175,013	146,127
Other	500	1,600
Support services:		
Pupil	586,794	657,490
Instructional staff	71,178	84,510
Board of education	70,784	82,985
Administration	1,305,944	1,281,263
Fiscal	447,028	407,208
Business	15,093	50,890
Operations and maintenance	1,525,562	1,449,716
Pupil transportation	995,063	825,165
Central	226,590	163,447
Operation of non instructional services:		
Other non instructional services	2,714	3,653
Food service operations	511,866	475,506
Extracurricular activities	640,535	637,001
Facilities acquisition and construction	-	421
Debt service:		
Principal retirement	1,093,531	1,295,000
Interest and fiscal charges	274,505	290,055
Interest on capital appreciation bonds	<u>257,106</u>	<u>-</u>
Total cash disbursements	<u>\$ 17,639,567</u>	<u>\$ 16,357,091</u>

**Governmental Activities**

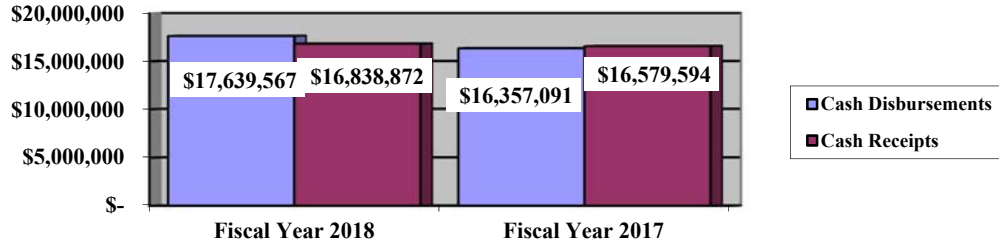
Governmental assets decreased by \$800,695 in 2018 from 2017. Total governmental disbursements of \$17,639,567 were offset by program receipts of \$2,848,443 and general receipts of \$13,990,429. Program receipts supported 16.15% of the total governmental disbursements. The decrease in property tax receipts is primarily the result of the School District not receiving a payment of the Toledo public utility property tax until after fiscal year-end.

The primary sources of receipts for governmental activities are derived from property taxes, and grants and entitlements. These receipt sources represent 81.68% of total governmental receipts. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements**



**Governmental Activities**

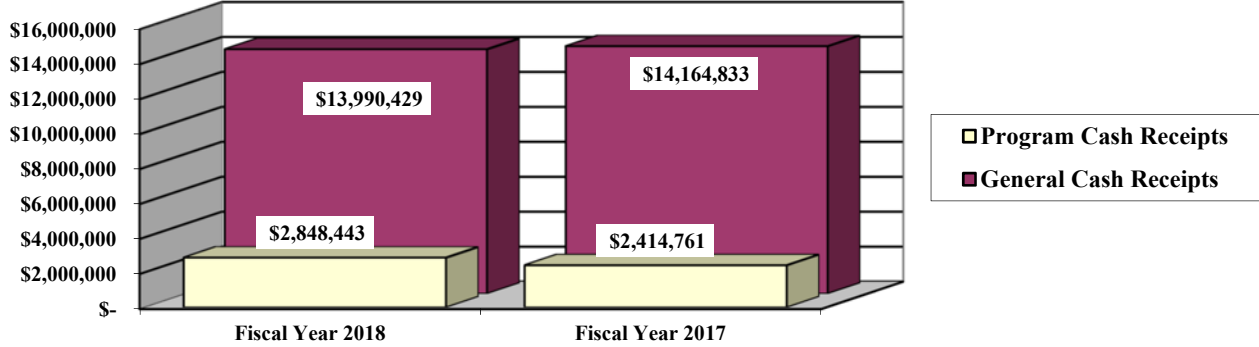
	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Cash disbursements:				
Instruction:				
Regular	\$ 7,080,822	\$ 6,351,283	\$ 6,518,123	\$ 5,921,611
Special	2,358,939	1,183,398	1,986,931	1,052,082
Vocational	175,013	102,305	146,127	77,230
Other	500	500	1,600	1,175
Support services:				
Pupil	586,794	556,531	657,490	657,490
Instructional staff	71,178	52,156	84,510	74,649
Board of education	70,784	70,784	82,985	82,985
Administration	1,305,944	1,301,399	1,281,263	1,240,922
Fiscal	447,028	447,028	407,208	407,208
Business	15,093	15,093	50,890	50,890
Operations and maintenance	1,525,562	1,523,002	1,449,716	1,443,681
Pupil transportation	995,063	952,168	825,165	783,250
Central	226,590	206,668	163,447	163,447
Operation of non instructional services:				
Other non instructional services	2,714	(102)	3,653	(1,383)
Food service operations	511,866	70,789	475,506	16,247
Extracurricular activities	640,535	332,980	637,001	385,370
Facilities acquisition and construction	-	-	421	421
Debt service:				
Principal retirement	1,093,531	1,093,531	1,295,000	1,295,000
Interest and fiscal charges	274,505	274,505	290,055	290,055
Interest on capital appreciation bonds	257,106	257,106	-	-
<b>Total</b>	<u>\$ 17,639,567</u>	<u>\$ 14,791,124</u>	<u>\$ 16,357,091</u>	<u>\$ 13,942,330</u>

The dependence upon general cash receipts for governmental activities is apparent; with 83.85% of cash disbursements supported through taxes and other general cash receipts during 2018.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**Governmental Activities - General and Program Cash Receipts**



**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$4,510,195, which is \$800,695 lower than last year's total balance of \$5,310,890. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2018 and June 30, 2017, for all major and nonmajor governmental funds.

	Fund Balance <u>June 30, 2018</u>	Fund Balance <u>June 30, 2017</u>	<u>Change</u>
Major funds:			
General	\$ 3,204,957	\$ 3,737,149	\$ (532,192)
Bond retirement	1,213,238	1,328,784	(115,546)
Other nonmajor governmental funds	<u>92,000</u>	<u>244,957</u>	<u>(152,957)</u>
Total	<u>\$ 4,510,195</u>	<u>\$ 5,310,890</u>	<u>\$ (800,695)</u>

**General Fund**

The general fund had cash receipts and other financing sources of \$13,839,133 in 2018. The cash disbursements and other financing uses of the general fund, totaled \$14,371,325 in 2018. The general fund's cash balance decreased \$532,192 from a balance of \$3,737,149 to \$3,204,957 primarily due to increases in disbursements and transfers out while receipts decreased slightly from the prior fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Receipts:</u></b>			
Property taxes	\$ 4,840,490	\$ 4,954,945	(2.31) %
Tuition	542,919	502,881	7.96 %
Earnings on investments	66,022	37,960	73.93 %
Other revenues	287,572	330,232	(12.92) %
Intergovernmental	<u>8,097,749</u>	<u>8,044,148</u>	0.67 %
Total	<u>\$ 13,834,752</u>	<u>\$ 13,870,166</u>	(0.26) %

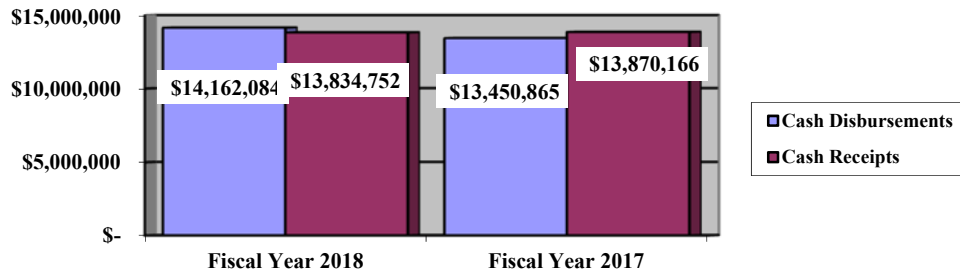
The District's general fund cash receipts decreased \$35,414 or 0.26%. Taxes decreased \$114,455 or 2.31% due to a decrease in property tax collections. Intergovernmental receipts increased \$53,601 or 0.67% due to increases in State foundation funding. Tuition increased \$40,038 due to an increase in open enrollment receipts. Earnings on investments increased \$28,062 due to an increase in rates earned on investments.

The table that follows assists in illustrating the disbursements of the general fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Disbursements</u></b>			
Instruction	\$ 8,994,013	\$ 8,408,190	6.97 %
Support services	4,684,008	4,697,874	(0.30) %
Operation of non instruction	2,714	3,653	(25.70) %
Extracurricular	440,712	341,148	29.18 %
Debt service	<u>40,637</u>	<u>-</u>	100.00 %
Total	<u>\$ 14,162,084</u>	<u>\$ 13,450,865</u>	5.29 %

The District's general fund cash disbursements increased \$711,219 or 5.29%. The largest increase was in the area of instruction which increased \$585,823. This increase was primarily due in wage and benefit increases given to employees.

**General Fund - Total Cash Receipts vs. Total Cash Disbursements**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

***Bond Retirement Fund***

The bond retirement fund had receipts of \$1,496,686 and disbursements of \$1,612,232 in 2018. The bond retirement fund cash balance decreased \$115,546 from a balance of \$1,328,784 to \$1,213,238. This decrease was primarily due to scheduled principal and interest payments exceeding property tax receipts.

***Budgeting Highlights - General Fund***

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

For the general fund, final budget basis receipts and other financing sources of \$14,107,658 were increased from the original budget estimates of \$13,940,703. Actual cash receipts of \$13,766,957 were less than final budget estimates by \$340,701. The final budget basis disbursements were \$14,455,784 were increased \$348,709 from original budget basis disbursements of \$14,107,075 due to higher costs in various functional categories. The actual budgetary basis disbursements of \$14,350,082 were \$105,702 less than the final budget estimates.

**Capital Assets and Debt Administration**

***Capital Assets***

The School District does not record capital assets in the accompanying modified cash basis basic financial statements, but records payments for capital assets as disbursements.

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2018 and 2017:

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
General obligation bonds:		
FY09 classroom facilities improvement bonds		
Capital appreciation bonds	\$ 1,449	\$ 3,808
FY09 school improvement bonds		
Capital appreciation bonds	35,654	76,189
FY15 various improvement refunding bonds		
Serial bonds	7,615,000	7,755,000
Capital appreciation bonds	128,786	128,786
FY15 various improvement refunding bonds		
Serial bonds	1,045,000	1,915,000
Capital leases	<u>118,368</u>	<u>-</u>
Total long-term obligations	<u>\$ 8,944,257</u>	<u>\$ 9,878,783</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Matt Feasel, CFO/Treasurer, Pike-Delta-York Local School District, 504 Fernwood St. Delta, Ohio, 43515.



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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	<u>\$ 4,510,195</u>
<b>Net position:</b>	
Restricted for:	
Debt service . . . . .	1,213,238
Locally funded programs . . . . .	25,388
Student activities . . . . .	63,879
Other purposes . . . . .	1,992
Unrestricted . . . . .	<u>3,205,698</u>
Total net position. . . . .	<u>\$ 4,510,195</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Cash Disbursements	Charges for Services and Sales	Program Revenues		Net (Disbursements) Receipts and Changes in Net Position Governmental Activities
			Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 7,080,822	\$ 552,667	\$ 176,872	\$ -	\$ (6,351,283)
Special . . . . .	2,358,939	63,374	1,112,167	-	(1,183,398)
Vocational . . . . .	175,013	-	72,708	-	(102,305)
Other . . . . .	500	-	-	-	(500)
Support services:					
Pupil . . . . .	586,794	-	30,263	-	(556,531)
Instructional staff . . . . .	71,178	-	19,022	-	(52,156)
Board of education . . . . .	70,784	-	-	-	(70,784)
Administration . . . . .	1,305,944	-	4,545	-	(1,301,399)
Fiscal . . . . .	447,028	-	-	-	(447,028)
Business . . . . .	15,093	-	-	-	(15,093)
Operations and maintenance . . . . .	1,525,562	2,560	-	-	(1,523,002)
Pupil transportation . . . . .	995,063	-	42,895	-	(952,168)
Central . . . . .	226,590	-	19,922	-	(206,668)
Operation of non-instructional services:					
Other non-instructional services . . . . .	2,714	-	2,816	-	102
Food service operations . . . . .	511,866	181,677	259,400	-	(70,789)
Extracurricular activities . . . . .	640,535	168,997	49,242	89,316	(332,980)
Debt service:					
Principal retirement . . . . .	1,093,531	-	-	-	(1,093,531)
Interest and fiscal charges . . . . .	274,505	-	-	-	(274,505)
Accreted interest on CABs . . . . .	257,106	-	-	-	(257,106)
<b>Total governmental activities . . . . .</b>	<b>\$ 17,639,567</b>	<b>\$ 969,275</b>	<b>\$ 1,789,852</b>	<b>\$ 89,316</b>	<b>(14,791,124)</b>

**General receipts:**

Property taxes levied for:	
General purposes . . . . .	4,840,490
Debt service . . . . .	1,199,253
Capital outlay . . . . .	69,686
Payments in lieu of taxes . . . . .	107,771
Grants and entitlements not restricted to specific programs . . . . .	7,644,531
Investment earnings . . . . .	66,022
Miscellaneous . . . . .	62,676
<b>Total general receipts . . . . .</b>	<b>13,990,429</b>
Change in net position . . . . .	(800,695)
<b>Net position at beginning of year . . . . .</b>	<b>5,310,890</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 4,510,195</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 3,204,957	\$ 1,213,238	\$ 92,000	\$ 4,510,195
<b>Fund balances:</b>				
Restricted:				
Debt service . . . . .	-	1,213,238	-	1,213,238
Other purposes . . . . .	-	-	27,380	27,380
Extracurricular activities . . . . .	-	-	63,879	63,879
Assigned:				
Student instruction . . . . .	11,880	-	-	11,880
Student and staff support . . . . .	24,293	-	-	24,293
Extracurricular activities . . . . .	1,935	-	-	1,935
Capital improvements . . . . .	-	-	741	741
Other purposes . . . . .	3,755	-	-	3,755
Unassigned . . . . .	3,163,094	-	-	3,163,094
Total fund balances . . . . .	\$ 3,204,957	\$ 1,213,238	\$ 92,000	\$ 4,510,195

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,840,490	\$ 1,199,253	\$ 69,686	\$ 6,109,429
Payment in lieu of taxes . . . . .	107,771	-	-	107,771
Tuition . . . . .	542,919	-	-	542,919
Transportation fees . . . . .	20,813	-	-	20,813
Earnings on investments . . . . .	66,022	-	-	66,022
Charges for services . . . . .	-	-	181,677	181,677
Extracurricular . . . . .	-	-	160,613	160,613
Classroom materials and fees . . . . .	59,470	-	-	59,470
Rental income . . . . .	2,560	-	-	2,560
Contributions and donations . . . . .	3,516	-	123,204	126,720
Contract services . . . . .	1,223	-	-	1,223
Other local revenues . . . . .	92,019	-	18,235	110,254
Intergovernmental - intermediate . . . . .	200	-	19,277	19,477
Intergovernmental - state . . . . .	7,989,395	297,433	18,872	8,305,700
Intergovernmental - federal . . . . .	108,354	-	915,870	1,024,224
Total receipts . . . . .	<u>13,834,752</u>	<u>1,496,686</u>	<u>1,507,434</u>	<u>16,838,872</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	6,928,896	-	151,926	7,080,822
Special . . . . .	1,893,450	-	465,489	2,358,939
Vocational . . . . .	171,167	-	3,846	175,013
Other . . . . .	500	-	-	500
Support services:				
Pupil . . . . .	556,531	-	30,263	586,794
Instructional staff . . . . .	55,497	-	15,681	71,178
Board of education . . . . .	70,784	-	-	70,784
Administration . . . . .	1,303,430	-	2,514	1,305,944
Fiscal . . . . .	417,637	27,727	1,664	447,028
Business . . . . .	15,093	-	-	15,093
Operations and maintenance . . . . .	1,223,180	-	302,382	1,525,562
Pupil transportation . . . . .	819,013	-	176,050	995,063
Central . . . . .	222,843	-	3,747	226,590
Operation of non-instructional services:				
Other operation of non-instructional . . . . .	2,714	-	-	2,714
Food service operations . . . . .	-	-	511,866	511,866
Extracurricular activities . . . . .	440,712	-	199,823	640,535
Debt service:				
Principal retirement . . . . .	40,637	1,052,894	-	1,093,531
Interest and fiscal charges . . . . .	-	274,505	-	274,505
Accreted interest on CABs . . . . .	-	257,106	-	257,106
Total disbursements . . . . .	<u>14,162,084</u>	<u>1,612,232</u>	<u>1,865,251</u>	<u>17,639,567</u>
Excess (deficiency) of receipts over (under) disbursements . . . . .	<u>(327,332)</u>	<u>(115,546)</u>	<u>(357,817)</u>	<u>(800,695)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	139,322	139,322
Transfers (out) . . . . .	(138,581)	-	(741)	(139,322)
Advances in . . . . .	4,381	-	70,660	75,041
Advances (out) . . . . .	(70,660)	-	(4,381)	(75,041)
Total other financing sources (uses) . . . . .	<u>(204,860)</u>	<u>-</u>	<u>204,860</u>	<u>-</u>
Net change in fund balances . . . . .	(532,192)	(115,546)	(152,957)	(800,695)
<b>Fund balances at beginning of year . . . . .</b>	<b>3,737,149</b>	<b>1,328,784</b>	<b>244,957</b>	<b>5,310,890</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$ 3,204,957</u></b>	<b><u>\$ 1,213,238</u></b>	<b><u>\$ 92,000</u></b>	<b><u>\$ 4,510,195</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,971,886	\$ 5,031,644	\$ 4,840,490	\$ (191,154)
Payment in lieu of taxes. . . . .	107,771	107,771	107,771	-
Tuition. . . . .	501,857	539,173	542,920	3,747
Transportation fees. . . . .	7,727	19,820	20,813	993
Earnings on investments . . . . .	40,039	40,520	66,022	25,502
Classroom materials and fees . . . . .	12,490	22,640	18,510	(4,130)
Rental income . . . . .	6,023	6,095	2,560	(3,535)
Contract services. . . . .	394	399	1,223	824
Other local revenues . . . . .	108,307	75,904	62,676	(13,228)
Intergovernmental - state . . . . .	8,038,146	8,134,757	7,989,394	(145,363)
Intergovernmental - federal . . . . .	95,742	98,610	108,354	9,744
Total receipts . . . . .	<u>13,890,703</u>	<u>14,077,658</u>	<u>13,760,733</u>	<u>(316,925)</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	6,698,595	6,768,568	6,856,563	(87,995)
Special. . . . .	1,713,507	1,698,104	1,898,400	(200,296)
Vocational. . . . .	172,160	177,800	171,617	6,183
Other. . . . .	509	500	500	-
Support services:				
Pupil. . . . .	573,110	565,783	556,786	8,997
Instructional staff . . . . .	55,518	63,214	54,095	9,119
Board of education . . . . .	74,552	73,338	70,784	2,554
Administration. . . . .	1,412,021	1,401,700	1,309,207	92,493
Fiscal . . . . .	493,972	652,006	419,862	232,144
Business . . . . .	29,546	29,025	15,093	13,932
Operations and maintenance. . . . .	1,284,204	1,297,718	1,237,753	59,965
Pupil transportation . . . . .	768,849	772,797	819,913	(47,116)
Central. . . . .	173,483	170,425	223,261	(52,836)
Extracurricular activities. . . . .	447,049	449,169	442,647	6,522
Debt service:				
Principal . . . . .	-	40,637	40,637	-
Total disbursements. . . . .	<u>13,897,075</u>	<u>14,160,784</u>	<u>14,117,118</u>	<u>43,666</u>
Excess of disbursements over receipts . . . . .	<u>(6,372)</u>	<u>(83,126)</u>	<u>(356,385)</u>	<u>(273,259)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	50,000	30,000	-	(30,000)
Transfers (out). . . . .	(200,000)	(200,000)	(138,581)	61,419
Advances in. . . . .	-	-	6,224	6,224
Advances (out) . . . . .	(10,000)	(95,000)	(94,383)	617
Total other financing sources (uses) . . . . .	<u>(160,000)</u>	<u>(265,000)</u>	<u>(226,740)</u>	<u>38,260</u>
Net change in fund balance . . . . .	(166,372)	(348,126)	(583,125)	(234,999)
<b>Fund balance at beginning of year . . . . .</b>	<b>3,675,888</b>	<b>3,675,888</b>	<b>3,675,888</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>33,231</b>	<b>33,231</b>	<b>33,231</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 3,542,747</u></b>	<b><u>\$ 3,360,993</u></b>	<b><u>\$ 3,125,994</u></b>	<b><u>\$ (234,999)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH BASIS FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 584,683	\$ 70,785
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 70,785
Total liabilities . . . . .	-	\$ 70,785
<b>Net position:</b>		
Held in trust for scholarships . . . . .	95,508	
Endowment . . . . .	489,175	
Total net position. . . . .	\$ 584,683	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH BASIS CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

		<u>Private-Purpose Trust</u>
		<u>Scholarship</u>
<b>Additions:</b>		
Interest . . . . .	\$	6,102
Gifts and contributions . . . . .		6,474
Total additions . . . . .		<u>12,576</u>
<b>Deductions:</b>		
Scholarships awarded . . . . .		<u>3,600</u>
Change in net position . . . . .		8,976
<b>Net position at beginning of year . . . . .</b>		<u>575,707</u>
<b>Net position at end of year . . . . .</b>	<b>\$</b>	<b><u>584,683</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

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. 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 staffed by 60 classified employees, 87 certified teaching personnel, and 9 administrative employees who provide services to 1,358 students and other community members. The School District currently operates three instructional buildings, an administration building, and a bus garage.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure 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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. There are no component units of the Pike-Delta-York Local School District.

The School District participates in four 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 Ohio School Plan, the Northern Buckeye Health Plan, the Optimal Health Initiatives Workers' Compensation Group Rating Plan, and the Delta Public Library. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

These financial statements are presented on a modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the School District's accounting policies.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position 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 position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

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.

**C. Fund Accounting**

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

**GOVERNMENTAL FUNDS**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General Fund and the Bond Retirement debt service 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 property taxes and related receipts restricted for the payment of principal, interest, and related costs on general obligation bonds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Other governmental funds of the School District are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, (b) financial resources that are restricted, committed or assigned to expenditures for principal and interest and (c) financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. 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.

**D. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

**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, 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. Budgetary allocations at the function level in the General Fund and at the function and object level within all other funds 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 Investments".

During fiscal year 2018, investments included U.S. Treasury Bills, commercial paper, U.S. government money market funds, and STAR Ohio. Investments are reported at cost or net value per share for mutual funds.

During fiscal year 2018, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

The Board of Education allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2018 was \$66,022, which includes \$25,186 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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**G. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

**I. Long-Term Obligations**

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**J. Net Position**

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants. 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 position is available.

**K. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

*Restricted* - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

*Committed* - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. Fund balance policy of the Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

*Unassigned* - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**L. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Compliance**

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

**B. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 11 to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

**NOTE 4 - 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;
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);
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Commercial paper and bankers' acceptances if training requirements have been met.

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

**A. Cash on Hand**

At fiscal year end, the School District had \$100 in undeposited cash on hand which is included on the financial statements of the School District as part of "equity in pooled cash and investments".

**B. Deposits**

At June 30, 2018, the carrying amount of all School District deposits was \$38,345. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, all of the School District's bank balance of \$252,705 was covered by the Federal Deposit Insurance Corporation (FDIC).

**C. Investments**

As of June 30, 2018, the School District has the following investments:

<u>Investment type</u>	<u>Cost</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 1,235,420	\$ 1,235,420
U.S. Government money market	3,912	3,912
U.S. Treasury Bills	1,803,040	1,803,040
Commercial paper	<u>2,084,846</u>	<u>2,084,846</u>
Total	<u>\$ 5,127,218</u>	<u>\$ 5,127,218</u>

The weighted average maturity of investments is 0.22 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the School District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The School District's investments in U.S. Treasury Bills had a rating of AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The School District's investments in commercial paper were rated P-1 by Moody's Investor Services. The STAR Ohio and the US government money market carries a rating of AAAM 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 mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.



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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The School District places no limit on the amount that may be invested in any one issuer other than for commercial paper and banker's acceptances. The following table includes the percentage of each investment type held by the School District at June 30, 2018:

<u>Investment type</u>	<u>Cost</u>	<u>% of Total</u>
STAR Ohio	\$ 1,235,420	24.10
U.S. Government money market	3,912	0.07
U.S. Treasury Bills	1,803,040	35.17
Commercial paper	2,084,846	40.66
Total	<u>\$ 5,127,218</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Position - Cash Basis**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position - modified cash basis as of June 30, 2018:

Cash and investments per note

Cash on hand	\$ 100
Carrying amount of deposits	38,345
Investments	<u>5,127,218</u>
Total	<u>\$ 5,165,563</u>

Cash and investments per financial statements

Governmental activities	\$ 4,510,195
Private-purpose trust funds	584,683
Agency funds	<u>70,785</u>
Total	<u>\$ 5,165,663</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund advances for the year ended June 30, 2018, consisted of the following, as reported on the fund statements:

Advances to nonmajor governmental funds from:

General fund	\$ 70,660
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Advances to general fund from:

Nonmajor governmental funds	<u>4,381</u>
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Total	<u>\$ 75,041</u>
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**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

The primary purpose of the interfund advances is to cover costs in specific funds where revenues were not received by June 30. The advances to the general fund were to repay advances that were made in the previous year.

Interfund advances between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 138,581
<u>Transfers from nonmajor governmental fund to:</u>	
Nonmajor governmental fund	<u>741</u>
Total	<u><u>\$ 139,322</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the building fund (a nonmajor governmental fund) to the permanent improvement fund (a nonmajor governmental fund) in the amount of \$741 was a residual equity transfer.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers made during fiscal year 2018 were made in accordance with Ohio Revised Code Sections 5704.14, 5705.15 and 5705.16.

**NOTE 6 - 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 and public utility property located in the School District. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, 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.

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**NOTE 6 - PROPERTY TAXES - (Continued)**

The School District receives property taxes from Fulton County. The County Auditor periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 173,133,290	94.93	\$ 175,430,540	94.75
Public utility personal	<u>9,240,350</u>	<u>5.07</u>	<u>9,718,360</u>	<u>5.25</u>
Total	<u>\$ 182,373,640</u>	<u>100.00</u>	<u>\$ 185,148,900</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 66.86		\$ 59.60	

**NOTE 7 - PAYMENT IN LIEU OF TAXES**

According to State law, Fulton County has entered into agreements with a number of property owners under which Fulton County has granted property tax exemptions to those property owners. The property owners have agreed to make payments which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements provide for a portion of these payments to be made to the School District. The property owner's contractually promises to make these payments in lieu of taxes until the agreement expires.

**NOTE 8 - 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 2018, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

Buildings and Contents - replacement cost	\$62,531,436
Automobile Liability	3,000,000
General School District Liability	
Per Occurrence	3,000,000
Total Per Year	5,000,000

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

For fiscal year 2018, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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**NOTE 8 - RISK MANAGEMENT - (Continued)**

The School District participates in the Northern Buckeye Health Plan (Plan), 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 Plan. The agreement for the Plan provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Plan, a participant is responsible for any claims not processed and paid and any related administrative costs.

For fiscal year 2018, the School District participated in The Optimal Health Initiatives Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the 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 participants that can meet the Plan's selection criteria. The firm Sheakley provides administrative, cost control, and actuarial services to the Plan.

**NOTE 9 - COMMITMENTS**

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-end Encumbrances</u>
General fund	\$ 38,108
Other governmental	<u>573</u>
Total	<u>\$ 38,681</u>

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - The School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$244,234 for fiscal year 2018.

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$828,310 for fiscal year 2018.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.05437230%	0.05048122%	
Proportion of the net pension liability current measurement date	<u>0.05330260%</u>	<u>0.05030864%</u>	
Change in proportionate share	<u>-0.00106970%</u>	<u>-0.00017258%</u>	
Proportionate share of the net pension liability	\$ 3,184,713	\$ 11,950,925	\$ 15,135,638

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u><u>100.00 %</u></u>	



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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 4,419,553	\$ 3,184,713	\$ 2,150,282

**Actuarial Assumptions - STRS Ohio**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$ 17,131,245	\$ 11,950,925	\$ 7,587,283

**NOTE 11 - DEFINED BENEFIT OPEB PLANS**

*Net OPEB Liability*

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$30,002.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$39,048 for fiscal year 2018.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

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**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability***

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.05419070%	0.05030864%	
Proportion of the net OPEB liability current measurement date	0.05419070%	0.05030864%	
Change in proportionate share	<u>0.00000000%</u>	<u>0.00000000%</u>	
Proportionate share of the net OPEB liability	\$ 1,454,336	\$ 1,962,857	\$ 3,417,193

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
	School District's proportionate share of the net OPEB liability	\$ 1,756,296	\$ 1,454,336
	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
	School District's proportionate share of the net OPEB liability	\$ 1,180,085	\$ 1,454,336

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**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.



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**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

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**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$ 2,635,105	\$ 1,962,857	\$ 1,431,563
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 1,363,709	\$ 1,962,857	\$ 2,751,407

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty or twenty-five days of vacation per fiscal year, depending upon length of service. Up to five days of unused vacation may be carried forward to the succeeding fiscal year or the employee can take a lump sum payment at their regular daily rate. Unused vacation in excess of five days cannot be carried forward to the succeeding fiscal year. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred or two hundred twenty days for classified employees and two hundred eleven 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 unused sick days multiplied by their daily rate then by .33, 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 Health Plan.

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**NOTE 13 - LONG-TERM OBLIGATIONS**

**A. Long-Term Obligation Summary**

Changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Balance 6/30/17	Additions	Reductions	Balance 6/30/18	Due Within One Year
Governmental Activities:					
General Obligation Bonds					
FY09 Classroom Facilities					
Improvement Bonds					
Capital Appreciation Bonds					
4.75-5%	\$ 3,808	\$ -	\$ (2,359)	\$ 1,449	\$ 1,449
FY09 School Improvement Bonds					
Capital Appreciation Bonds					
5.05-5.1%	76,189	-	(40,535)	35,654	35,654
FY15 Various Improvement					
Refunding Bonds					
Serial Bonds 3-4%	7,755,000	-	(140,000)	7,615,000	140,000
Capital Appreciation Bonds 2.04%	128,786	-	-	128,786	-
FY15 Various Improvement					
Refunding Bonds					
Serial Bonds .75-1.95%	1,915,000	-	(870,000)	1,045,000	875,000
Capital leases	-	159,005	(40,637)	118,368	38,874
Total General Obligation Bonds	<u>\$ 9,878,783</u>	<u>\$ 159,005</u>	<u>\$ (1,093,531)</u>	<u>\$ 8,944,257</u>	<u>\$ 1,090,977</u>

FY09 Classroom Facilities Improvement Bonds - On December 23, 2008, the School District issued voted general obligation bonds, in the amount of \$5,853,808, to pay the local share of construction on a new Pre-K through Grade 4 school, as well as renovations to the middle school and high school. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$975,000, \$4,875,000 and \$3,808, respectively. The bonds were issued for a twenty-eight year period, with final maturity during fiscal year 2037. The term bonds were refunded during fiscal year 2015.

The serial bonds are subject to prior redemption on or after November 1, 2019, 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 remaining capital appreciation bonds will mature in fiscal year 2019. The maturity amount of the bonds is \$175,000.

FY09 School Improvement Bonds - On January 22, 2009, the School District issued voted general obligation bonds, in the amount of \$4,146,189, to pay a share of construction on a new Pre-K through Grade 4 school, as well as renovations to the middle school and high school. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$820,000, \$3,250,000 and \$76,189, respectively. The bonds were issued for a twenty-eight year period, with final maturity during fiscal year 2037. The term bonds were refunded during fiscal year 2015.

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**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

The serial bonds are subject to prior redemption on or after November 1, 2019, 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 year 2019. The maturity amount of the bonds is \$125,000.

FY 2015 Various Improvement Refunding Bonds - On June 11, 2015, the School District issued bonds, in the amount of \$8,118,786, to partially refund bonds previously issued in fiscal year 2009 to pay the local share of construction on a new Pre-K through Grade 4 school, as well as renovations to the middle school and high school. The refunding bond issue consists of serial bonds, in the original amount of \$7,990,000, and capital appreciation bonds, in the original amount of \$128,786. The bonds were issued for a nineteen year period, with final maturity in fiscal year 2034. The bonds are being repaid from the Bond Retirement debt service fund.

At June 30, 2018, \$4,875,000 of the refunded bonds was still outstanding.

The serial bonds maturing on or after November 1, 2025, are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after November 1, 2024, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

FY 2015 Various Improvement Refunding Bonds - On June 11, 2015, the School District issued bonds, in the amount of \$2,830,000, to partially refund bonds previously issued in fiscal year 2006 for the construction of a middle school and improvements to other School District buildings. The refunding bond issue consists of serial bonds, in the original amount of \$2,830,000. The bonds were issued for a five year period, with final maturity in fiscal year 2020. The bonds are being repaid from the Bond Retirement debt service fund.

At June 30, 2018, \$3,250,000 of the refunded bonds was still outstanding.

The School District's overall debt margin was \$9,050,750 with an unvoted debt margin of \$185,149 at June 30, 2018.

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**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2018, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial			Capital Appreciation		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 1,015,000	\$ 270,553	\$ 1,285,553	\$ 37,103	\$ 262,897	\$ 300,000
2020	170,000	254,453	424,453	128,786	336,214	465,000
2021	445,000	249,037	694,037	-	-	-
2022	455,000	249,038	704,038	-	-	-
2023	460,000	240,137	700,137	-	-	-
2024 - 2028	2,505,000	1,021,700	3,526,700	-	-	-
2029 - 2033	2,970,000	603,100	3,573,100	-	-	-
2034	640,000	51,200	691,200	-	-	-
Total	<u>\$ 8,660,000</u>	<u>\$ 2,939,218</u>	<u>\$ 11,599,218</u>	<u>\$ 165,889</u>	<u>\$ 599,111</u>	<u>\$ 765,000</u>

**B. Capitalized Lease - Lessee Disclosure**

The School District entered into a capitalized lease for Apple MacBook Air computers. This lease agreement meets the criteria of a capital lease, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. Principal payments in fiscal year 2018 totaled \$40,637 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 40,638
2020	40,637
2021	<u>40,638</u>
Total minimum lease payments	121,913
Less: amount representing interest	<u>(3,545)</u>
Total	<u>\$ 118,368</u>

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**NOTE 14 - SET-ASIDES**

The School District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	231,770
Current year offsets	(77,809)
Prior year offset from bond proceeds	<u>(153,961)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

During previous fiscal years, the School District issued a total of \$16,774,997 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to \$0. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$16,470,399 at June 30, 2018.

**NOTE 15 - DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$489,175, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$95,508 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

**NOTE 16 - 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.

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**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)**

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 2018, the School District paid \$90,881 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, 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, 209 Nolan Parkway, 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, 22-900 State Route 34, Archbold, Ohio 43502.

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

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio, 45822.

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**NOTE 17 - INSURANCE POOLS**

**A. Ohio School Plan**

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from the Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**B. Northern Buckeye Health Plan**

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

**C. Optimal Health Initiatives 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 Optimal Health Initiatives Workers' Compensation Group Rating Plan (Plan) was established through Optimal Health Initiatives (OHI) as an insurance purchasing pool. The Plan is governed by the OHI and the participants of the Plan. The Executive Director of the OHI 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 18 - 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.

**NOTE 19 - 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, 2018.



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**NOTE 19 - CONTINGENCIES - (Continued)**

**B. Litigation**

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

**C. Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2017-2018 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**NOTE 20 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year-end encumbrances that are treated as cash disbursements (budgetary basis) rather than as an assigned fund balance (modified cash basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund:

**Net Change in Fund Cash Balance**

	<u>General fund</u>
Cash basis	\$ 3,204,957
Funds budgeted elsewhere	(40,855)
Adjustment for encumbrances	<u>(38,108)</u>
Budget basis	<u>\$ 3,125,994</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a modified cash basis. This includes the uniform school supplies fund, public school support fund and special trust fund.

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**NOTE 21 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

The Village of Delta, Swancreek Township and York Township entered into a tax abatement agreements with various companies for the abatement of property taxes to bring jobs and economic development into the area. The agreement affects the property tax receipts collected and distributed to the School District. Under the agreements, the School District property taxes were reduced by \$368,945 during fiscal year 2018. The District received \$107,771 in compensation for the forgone property taxes.

**NOTE 22 - SUBSEQUENT EVENT**

In July 2018, the District received a payment of \$216,103 in public utility property tax from Toledo. This amount was held by Fulton County which is typically received in June.