

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013***

**SANDI HURD, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Nelsonville-York City School District  
2 Buckeye Drive  
Nelsonville, Ohio 45764

We have reviewed the *Independent Auditor's Report* of the Nelsonville-York City School District, Athens County, prepared by Julian & Grube, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Nelsonville-York City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 16, 2014

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**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

## Independent Auditor's Report

Nelsonville-York City School District  
Athens County  
2 Buckeye Drive  
Nelsonville, Ohio 45764

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nelsonville-York City School District, Athens County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Nelsonville-York City School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Nelsonville-York City School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Nelsonville-York City School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nelsonville-York City School District, Athens County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the Nelsonville-York City School District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, on our consideration of the Nelsonville-York City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nelsonville-York City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 11, 2013



**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The management's discussion and analysis of the Nelsonville-York City School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2013 are as follows:

- In total, net position of governmental activities decreased \$76,003 which represents a 0.46% decrease from 2012.
- General revenues accounted for \$10,469,356 in revenue or 73.70% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,735,232 or 26.30% of total revenues of \$14,204,588.
- The District had \$14,280,591 in expenses related to governmental activities; only \$3,735,232 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,469,356 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$11,286,653 in revenues and \$10,951,640 in expenditures and other financing uses. During fiscal year 2013, the general fund's fund balance increased \$335,013 from \$2,186,390 to \$2,521,403.
- The bond retirement fund had \$687,555 in revenues and other financing sources and \$668,341 in expenditures. During fiscal 2013, the bond retirement fund's fund balance increased \$19,214 from \$1,456,415 to \$1,475,629.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and bond retirement fund are the only governmental funds reported as major funds.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The District's statement of net position and statement of activities can be found on pages 13 - 14 of this report.

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

*Fund Financial Statements*

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

*Governmental Funds*

Most of the 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 an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15 - 19 of this report.

*Reporting the District's Fiduciary Responsibilities*

The District's fiduciary funds consist of a private purpose trust fund and an agency fund. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. Private purpose trust funds are held in a trustee capacity for individuals, private organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting. The fiduciary fund financial statements can be found on pages 20-21 of this report.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22 - 51 of this report.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position for 2013 and 2012. Certain amounts for 2012 have been reclassified to conform to 2013 presentation.

	<b>Net Position</b>	
	Governmental Activities 2013	Governmental Activities 2012
<b><u>Assets</u></b>		
Current and other assets	\$ 9,604,732	\$ 9,293,116
Capital assets, net	<u>16,650,001</u>	<u>17,598,766</u>
Total assets	<u>26,254,733</u>	<u>26,891,882</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,550,345	1,679,020
Long-term liabilities	<u>6,724,245</u>	<u>6,944,393</u>
Total liabilities	<u>8,274,590</u>	<u>8,623,413</u>
<b><u>Deferred inflows</u></b>	<u>1,666,364</u>	<u>1,878,687</u>
<b><u>Net position</u></b>		
Net investment in capital assets	10,670,224	11,263,099
Restricted	3,092,994	3,143,789
Unrestricted	<u>2,550,561</u>	<u>1,982,894</u>
Total net position	<u>\$ 16,313,779</u>	<u>\$ 16,389,782</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded deferred inflows and liabilities by \$16,313,779. Of this total, \$2,550,561 was unrestricted in its use.

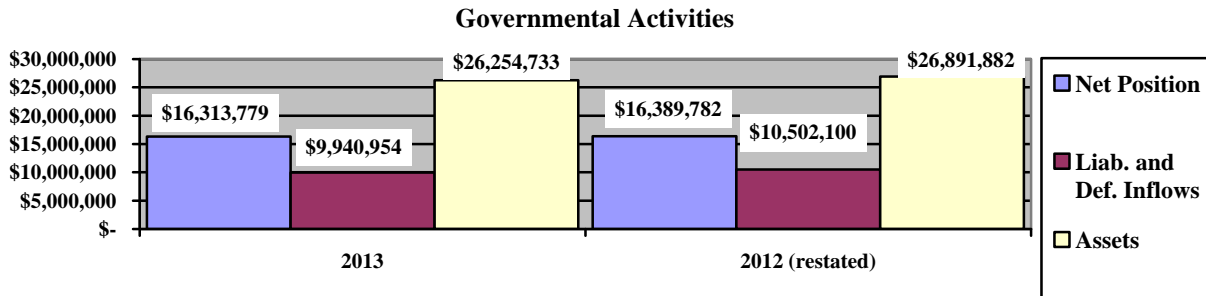
At year-end, capital assets represented 63.42% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2013, was \$10,670,224. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

A portion of the District's net position, \$3,092,994, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$2,550,561 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, deferred inflows and liabilities and net position at June 30, 2013 and 2012.



The table below shows the change in net position for fiscal years 2013 and 2012.

**Change in Net Position**

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 886,288	\$ 945,480
Operating grants and contributions	2,848,944	3,230,434
General revenues:		
Property taxes	2,414,021	2,440,025
Grants and entitlements	7,906,990	7,942,808
Investment earnings	6,661	2,848
Other	<u>141,684</u>	<u>110,327</u>
Total revenues	<u>14,204,588</u>	<u>14,671,922</u>

- Continued

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Change in Net Position (Continued)**

	<u>Governmental Activities 2013</u>	<u>Governmental Activities 2012</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,776,905	\$ 5,471,927
Special	1,815,810	2,007,574
Vocational	169,102	171,629
Other	75,027	114,950
Support services:		
Pupil	369,544	351,584
Instructional staff	763,610	734,817
Board of education	65,145	69,367
Administration	1,178,494	1,356,577
Fiscal	326,152	363,824
Operations and maintenance	1,387,638	1,317,943
Pupil transportation	843,404	976,696
Central	40	-
Operation of non-instructional services:		
Food service operations	642,691	653,386
Other non-instructional services	1,447	13,210
Extracurricular activities	295,672	244,055
Interest and fiscal charges	303,122	299,107
Depreciation - unallocated	266,788	228,689
Total expenses	<u>14,280,591</u>	<u>14,375,335</u>
Change in net position	(76,003)	296,587
Net position at beginning of year	<u>16,389,782</u>	<u>16,093,195</u>
Net position at end of year	<u>\$ 16,313,779</u>	<u>\$ 16,389,782</u>

**Governmental Activities**

Net position of the District's governmental activities decreased \$76,003. Total governmental expenses of \$14,280,591 were offset by program revenues of \$3,735,232 and general revenues of \$10,469,356. Program revenues supported 26.16% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 72.66% of total governmental revenue.

The District's revenue decreased approximately \$467,000 in fiscal year 2013. This was due to less federal grant revenue for fiscal year 2013. Expenses decreased approximately \$95,000 in fiscal year 2013.

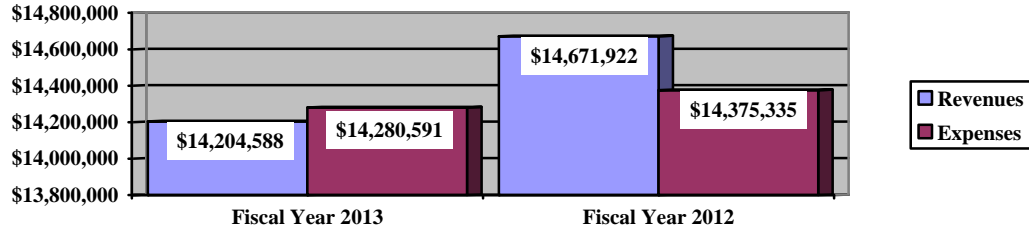
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,836,844 or 54.88% of total governmental expenses for fiscal 2013.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2013 and 2012.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

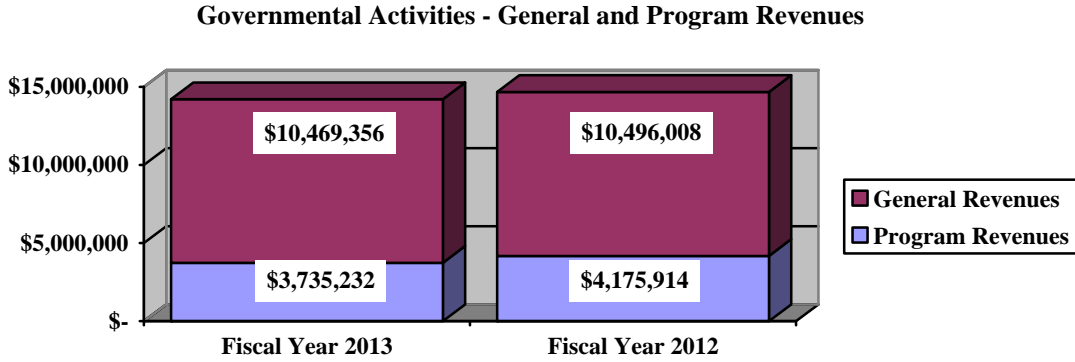
	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,776,905	\$ 4,934,754	\$ 5,471,927	\$ 4,138,458
Special	1,815,810	286,785	2,007,574	574,195
Vocational	169,102	156,641	171,629	159,168
Other	75,027	7,943	114,950	73,193
Support services:				
Pupil	369,544	368,455	351,584	351,584
Instructional staff	763,610	354,491	734,817	263,552
Board of education	65,145	65,145	69,367	69,367
Administration	1,178,494	1,085,536	1,356,577	1,270,854
Fiscal	326,152	326,152	363,824	363,824
Operations and maintenance	1,387,638	1,371,380	1,317,943	1,251,131
Pupil transportation	843,404	806,228	976,696	940,569
Central	40	40	-	-
Operation of non-instructional services:				
Food service operations	642,691	31,961	653,386	19,247
Other non-instructional services	1,447	1,447	13,210	11,748
Extracurricular activities	295,672	178,491	244,055	184,735
Interest and fiscal charges	303,122	303,122	299,107	299,107
Depreciation - unallocated	266,788	266,788	228,689	228,689
<b>Total expenses</b>	<b><u>\$ 14,280,591</u></b>	<b><u>\$ 10,545,359</u></b>	<b><u>\$ 14,375,335</u></b>	<b><u>\$ 10,199,421</u></b>

The dependence upon tax and other general revenues for governmental activities is apparent, 68.73% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.84%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$5,602,161, which is greater than last year's total of \$5,093,874. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	<u>Fund Balance</u> <u>June 30, 2013</u>	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Increase</u>
<b>Major funds:</b>			
General	\$ 2,521,403	\$ 2,186,390	\$ 335,013
Bond retirement	1,475,629	1,456,415	19,214
Other governmental	<u>1,605,129</u>	<u>1,451,069</u>	<u>154,060</u>
Total	<u>\$ 5,602,161</u>	<u>\$ 5,093,874</u>	<u>\$ 508,287</u>

**General Fund**

The District's general fund's fund balance increased \$335,013. The increase in fund balance can be attributed to decreasing expenditures outpacing decreasing revenues.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 1,885,696	\$ 1,830,489	3.02 %
Tuition	628,730	738,193	(14.83) %
Earnings on investments	5,779	2,230	159.15 %
Intergovernmental	8,715,611	8,834,428	(1.34) %
Other revenues	<u>50,837</u>	<u>67,697</u>	(24.91) %
Total	<u>\$ 11,286,653</u>	<u>\$ 11,473,037</u>	(1.62) %
<b><u>Expenditures</u></b>			
Instruction	\$ 6,454,948	\$ 6,254,567	3.20 %
Support services	4,183,026	4,388,121	(4.67) %
Operation of non-instructional services	1,447	11,142	(87.01) %
Extracurricular activities	154,416	159,105	(2.95) %
Facilities acquisition and construction	<u>10,079</u>	<u>3,960</u>	154.52 %
Total	<u>\$ 10,803,916</u>	<u>\$ 10,816,895</u>	(0.12) %

Tuition revenue decreased due to less revenue received from open enrollment. Intergovernmental revenue decreased because of less revenue received from the State of Ohio. All other revenues remained consistent with the prior year. Total revenue decreased 1.62% from fiscal year 2012.

Expenditures decreased 0.12% from fiscal year 2012.

***Bond Retirement Fund***

The bond retirement fund had \$687,555 in revenues and other financing sources and \$668,341 in expenditures. During fiscal 2013, the bond retirement fund's fund balance increased \$19,214 from \$1,456,415 to \$1,475,629.

***General Fund Budgeting Highlights***

The 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.

During the course of fiscal 2013, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources were \$11,242,908 and final budgeted revenues and other financing sources were increased to \$11,262,434. Actual revenues and other financing sources for fiscal year 2013 was \$11,258,203. This represents a \$4,231 decrease from final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$11,235,538 were increased to \$11,348,139 in the final budget. The actual budget basis expenditures for fiscal year 2013 totaled \$11,016,442, which was \$331,697 less than the final budget appropriations.



**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2013, the District had \$16,650,001 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2013 balances compared to 2012:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
<u>Governmental Activities</u>		
	<u>2013</u>	<u>2012</u>
Land	\$ 135,512	\$ 148,080
Land improvements	959,262	1,183,904
Building and improvements	14,872,241	15,532,652
Furniture, fixtures and equipment	371,767	394,126
Vehicles	<u>311,219</u>	<u>340,004</u>
Total	<u>\$ 16,650,001</u>	<u>\$ 17,598,766</u>

The total depreciation expense for 2013 was \$735,622. Disposals, net of accumulated depreciation, were \$213,143.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2013, the District had \$5,922,000 in general obligation bonds and lease-purchase agreement outstanding. Of this total, \$383,000 is due within one year and \$5,539,000 is due in greater than one year. The following table summarizes the bonds and lease-purchase agreement outstanding.

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
General obligation bonds	\$ 5,355,000	\$ 5,610,000
Lease purchase agreement	<u>567,000</u>	<u>665,000</u>
Total	<u>\$ 5,922,000</u>	<u>\$ 6,275,000</u>

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Current Financial Related Activities**

Although considered a mid-wealth district, Nelsonville-York City School District is financially stable, and has been over the past several years. As indicated in the preceding financial information, the District is dependent on property taxes. Property tax revenue does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meeting inflation. Careful financial planning has permitted the District to provide a quality education for our students.

As indicated in the preceding financial information, the District relies on the State's foundation program for over half of their funding. In the spring of 2002, the Ohio Supreme Court issued its fourth split decision regarding the State's school funding plan. The majority opinion identified aspects of the current plan that require modification if the plan is to be considered constitutional. However, in December of 2002 the Court again ruled in a split decision that the State's plan was not acceptable.

In 2005 the Ohio State Legislature passed HB66 which was the biennial budget bill (2006 and 2007) for the State of Ohio which included several provisions impacting school funding beyond fiscal year 2006:

Elimination of Tangible Personal Property - This is the tax paid by businesses based on the value of their inventory, equipment and fixtures. This property value is taxed at the full inside and voted tax rate and is not subject to the inflationary controls of HB920 passed in 1976. The State is phasing out this tax by reducing the 2004 value by 25% each year beginning in 2007 and ending in 2012. Ohio school districts are to be "held harmless" by receiving state funds to offset the amount lost due to the decrease in value. For Nelsonville-York this "hold harmless" clause was lost at the end of fiscal year 2011.

Nelsonville-York City School District had a \$2.1 million tangible personal property valuation which generated approximately \$.06 million tax dollars annually.

Other Deductions to State Funding - Two categories that have been increasing are the deductions made for the Educational Service Centers (ESC) and Community Schools. Deductions for Community Schools includes true Community Schools as well as virtual or "E-Schools".

Nelsonville-York City School District does not anticipate any meaningful growth or loss in revenue as a result of these changes in the short term. Based on these factors, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District, especially after fiscal year 2012 when the phase-out of the Tangible Personal Property Tax begins heading toward a reduction of more than \$.06 million in local revenue.

At the September 11, 2007 board meeting, the board approved the authorization of a \$1,011,000 lease purchase agreement through the OASBO pooled funding program to fund overages on the building project. The funds are to be repaid over a ten year period beginning in August 2008.

**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 District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Sandi Hurd, Treasurer, Nelsonville-York City School District, 2 Buckeye Drive, Nelsonville, Ohio 45764.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2013

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 6,440,799
Cash with escrow agent. . . . .	81,807
Property taxes . . . . .	2,468,607
Accrued interest . . . . .	917
Intergovernmental . . . . .	565,686
Prepayments . . . . .	41,807
Materials and supplies inventory. . . . .	557
Inventory held for resale. . . . .	3,866
Loans to other funds. . . . .	686
Capital assets:	
Nondepreciable capital assets . . . . .	135,512
Depreciable capital assets, net. . . . .	16,514,489
Capital assets, net . . . . .	<u>16,650,001</u>
Total assets. . . . .	<u>26,254,733</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	107,425
Accrued wages and benefits payable . . . . .	1,131,650
Intergovernmental payable . . . . .	51,361
Pension obligation payable. . . . .	227,526
Accrued interest payable . . . . .	32,383
Long-term liabilities:	
Due within one year. . . . .	602,955
Due in more than one year. . . . .	6,121,290
Total liabilities . . . . .	<u>8,274,590</u>
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	<u>1,666,364</u>
<b>Net position:</b>	
Net investment in capital assets . . . . .	10,670,224
Restricted for:	
Capital projects . . . . .	1,123,013
Classroom facilities maintenance . . . . .	298,569
Debt service. . . . .	1,558,693
Locally funded programs . . . . .	58,145
State funded programs. . . . .	13,285
Federally funded programs . . . . .	10,923
Student activities . . . . .	17,376
Other purposes . . . . .	12,990
Unrestricted . . . . .	2,550,561
Total net position. . . . .	<u>\$ 16,313,779</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,776,905	\$ 636,007	\$ 206,144	\$	(4,934,754)
Special . . . . .	1,815,810	5,576	1,523,449		(286,785)
Vocational . . . . .	169,102	-	12,461		(156,641)
Other . . . . .	75,027	-	67,084		(7,943)
Support services:					
Pupil . . . . .	369,544	-	1,089		(368,455)
Instructional staff . . . . .	763,610	7,682	401,437		(354,491)
Board of education . . . . .	65,145	-	-		(65,145)
Administration . . . . .	1,178,494	-	92,958		(1,085,536)
Fiscal . . . . .	326,152	-	-		(326,152)
Operations and maintenance . . . . .	1,387,638	-	16,258		(1,371,380)
Pupil transportation . . . . .	843,404	-	37,176		(806,228)
Central . . . . .	40	-	-		(40)
Operation of non-instructional services:					
Food service operations . . . . .	642,691	119,842	490,888		(31,961)
Other non-instructional services . . . . .	1,447	-	-		(1,447)
Extracurricular activities . . . . .	295,672	117,181	-		(178,491)
Interest and fiscal charges . . . . .	303,122	-	-		(303,122)
Depreciation - unallocated . . . . .	266,788	-	-		(266,788)
Total governmental activities . . . . .	<u>\$ 14,280,591</u>	<u>\$ 886,288</u>	<u>\$ 2,848,944</u>		<u>(10,545,359)</u>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					1,889,427
Debt service . . . . .					489,158
Classroom facilities maintenance . . . . .					35,436
Grants and entitlements not restricted					
to specific programs . . . . .					7,906,990
Investment earnings . . . . .					6,661
Miscellaneous . . . . .					141,684
Total general revenues . . . . .					<u>10,469,356</u>
Change in net position . . . . .					(76,003)
<b>Net position at beginning of year . . . . .</b>					<u>16,389,782</u>
<b>Net position at end of year . . . . .</b>				<u>\$</u>	<u><u>16,313,779</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<b>General</b>	<b>Bond Retirement</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 3,361,967	\$ 1,421,239	\$ 1,657,593	\$ 6,440,799
Cash with escrow agent. . . . .	81,807	-	-	81,807
Receivables:				
Property taxes. . . . .	1,891,864	536,869	39,874	2,468,607
Accrued interest . . . . .	345	-	572	917
Intergovernmental. . . . .	164,348	-	401,338	565,686
Prepayments. . . . .	41,807	-	-	41,807
Materials and supplies inventory. . . . .	557	-	-	557
Due from other funds . . . . .	100,782	-	-	100,782
Inventory held for resale. . . . .	-	-	3,866	3,866
Loans to other funds. . . . .	686	-	-	686
Total assets . . . . .	<u>\$ 5,644,163</u>	<u>\$ 1,958,108</u>	<u>\$ 2,103,243</u>	<u>\$ 9,705,514</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 51,046	\$ -	\$ 56,379	\$ 107,425
Accrued wages and benefits payable . . . . .	910,515	-	221,135	1,131,650
Compensated absences payable . . . . .	112,502	-	-	112,502
Intergovernmental payable . . . . .	44,210	-	7,151	51,361
Pension obligation payable . . . . .	184,815	-	42,711	227,526
Due to other funds . . . . .	-	-	100,782	100,782
Total liabilities. . . . .	<u>1,303,088</u>	<u>-</u>	<u>428,158</u>	<u>1,731,246</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	1,271,637	367,032	27,695	1,666,364
Delinquent property tax revenue not available. . . . .	412,414	115,447	8,449	536,310
Other nonexchange transactions not available. . . . .	-	-	27,693	27,693
Miscellaneous revenue not available. . . . .	135,621	-	6,119	141,740
Total deferred inflows of resources . . . . .	<u>1,819,672</u>	<u>482,479</u>	<u>69,956</u>	<u>2,372,107</u>
<b>Fund balances:</b>				
Nonspendable. . . . .	42,364	-	-	42,364
Restricted. . . . .	-	1,475,629	1,529,920	3,005,549
Committed. . . . .	-	-	132,681	132,681
Assigned. . . . .	73,598	-	-	73,598
Unassigned (deficit) . . . . .	<u>2,405,441</u>	<u>-</u>	<u>(57,472)</u>	<u>2,347,969</u>
Total fund balances . . . . .	<u>2,521,403</u>	<u>1,475,629</u>	<u>1,605,129</u>	<u>5,602,161</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 5,644,163</u>	<u>\$ 1,958,108</u>	<u>\$ 2,103,243</u>	<u>\$ 9,705,514</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013

<b>Total governmental fund balances</b>		\$	5,602,161
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			16,650,001
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	536,310	
Intergovernmental receivable		169,433	
Total		705,743	705,743
Unamortized premiums on bonds issued are not recognized in the funds.			(57,777)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(32,383)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		5,355,000	
Lease-purchase agreement		567,000	
Compensated absences		631,966	
Total		(6,553,966)	(6,553,966)
<b>Net position of governmental activities</b>		\$	16,313,779

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,885,696	\$ 490,241	\$ 34,393	\$ 2,410,330
Tuition . . . . .	628,730	-	15,365	644,095
Earnings on investments. . . . .	5,779	-	2,074	7,853
Charges for services. . . . .	-	-	119,842	119,842
Extracurricular. . . . .	-	-	78,129	78,129
Other local revenues . . . . .	50,837	-	38,902	89,739
Intergovernmental - intermediate . . . . .	-	-	500	500
Intergovernmental - state . . . . .	8,715,611	67,590	187,736	8,970,937
Intergovernmental - federal . . . . .	-	-	1,847,064	1,847,064
Total revenues . . . . .	<u>11,286,653</u>	<u>557,831</u>	<u>2,324,005</u>	<u>14,168,489</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	5,109,308	-	238,916	5,348,224
Special . . . . .	1,176,538	-	627,824	1,804,362
Vocational . . . . .	169,102	-	-	169,102
Other . . . . .	-	-	74,058	74,058
Support services:				
Pupil . . . . .	346,856	-	594	347,450
Instructional staff . . . . .	308,412	-	447,416	755,828
Board of education . . . . .	65,145	-	-	65,145
Administration . . . . .	1,112,515	-	102,018	1,214,533
Fiscal . . . . .	328,533	13,604	981	343,118
Operations and maintenance . . . . .	1,205,277	-	71,124	1,276,401
Pupil transportation . . . . .	816,248	-	-	816,248
Central . . . . .	40	-	-	40
Operation of non-instructional services:				
Food service operations . . . . .	-	-	625,546	625,546
Other non-instructional services. . . . .	1,447	-	-	1,447
Extracurricular activities . . . . .	154,416	-	130,438	284,854
Facilities acquisition and construction. . . . .	10,079	-	1,981	12,060
Debt service:				
Principal retirement. . . . .	-	353,000	-	353,000
Interest and fiscal charges . . . . .	-	301,737	-	301,737
Total expenditures . . . . .	<u>10,803,916</u>	<u>668,341</u>	<u>2,320,896</u>	<u>13,793,153</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>482,737</u>	<u>(110,510)</u>	<u>3,109</u>	<u>375,336</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	-	-	132,951	132,951
Transfers in. . . . .	-	129,724	18,000	147,724
Transfers (out) . . . . .	(147,724)	-	-	(147,724)
Total other financing sources (uses) . . . . .	<u>(147,724)</u>	<u>129,724</u>	<u>150,951</u>	<u>132,951</u>
Net change in fund balances . . . . .	335,013	19,214	154,060	508,287
<b>Fund balances at beginning of year. . . . .</b>	<u>2,186,390</u>	<u>1,456,415</u>	<u>1,451,069</u>	<u>5,093,874</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 2,521,403</u>	<u>\$ 1,475,629</u>	<u>\$ 1,605,129</u>	<u>\$ 5,602,161</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<b>Net change in fund balances - total governmental funds</b>	\$	508,287
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		(735,622)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(213,143)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	\$ 3,691	
Intergovernmental	32,408	
Total		36,099
Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	255,000	
Capital leases	98,000	
Total		353,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(4,274)	
Amortization of bond premiums	2,889	
Total		(1,385)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(23,239)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>(76,003)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,838,597	\$ 1,841,790	\$ 1,841,790	\$ -
Tuition. . . . .	631,864	632,961	628,730	(4,231)
Earnings on investments . . . . .	5,425	5,434	5,434	-
Other local revenues. . . . .	46,260	46,340	46,340	-
Intergovernmental - state . . . . .	8,700,500	8,715,612	8,715,612	-
Total revenues. . . . .	<u>11,222,646</u>	<u>11,242,137</u>	<u>11,237,906</u>	<u>(4,231)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,185,111	5,143,111	5,065,176	77,935
Special. . . . .	994,882	1,173,382	1,152,997	20,385
Vocational. . . . .	183,412	184,712	170,921	13,791
Support services:				
Pupil. . . . .	362,385	352,385	337,850	14,535
Instructional staff . . . . .	271,126	310,476	299,360	11,116
Board of education . . . . .	43,938	85,688	81,131	4,557
Administration. . . . .	1,272,044	1,151,144	1,137,485	13,659
Fiscal . . . . .	354,599	346,099	337,160	8,939
Operations and maintenance. . . . .	1,303,437	1,325,238	1,225,194	100,044
Pupil transportation . . . . .	882,054	903,054	883,290	19,764
Central. . . . .	1,200	1,200	40	1,160
Operation of non-instructional services. . . . .	3,300	8,300	7,759	541
Extracurricular activities . . . . .	192,250	172,550	154,920	17,630
Facilities acquisition and construction. . . . .	12,800	17,800	14,749	3,051
Total expenditures . . . . .	<u>11,062,538</u>	<u>11,175,139</u>	<u>10,868,032</u>	<u>307,107</u>
Excess of revenues over expenditures. . . . .	<u>160,108</u>	<u>66,998</u>	<u>369,874</u>	<u>302,876</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	13,241	13,264	13,264	-
Transfers (out). . . . .	(173,000)	(172,314)	(147,724)	24,590
Advances in . . . . .	7,021	7,033	7,033	-
Advances (out). . . . .	-	(686)	(686)	-
Total other financing sources (uses) . . . . .	<u>(152,738)</u>	<u>(152,703)</u>	<u>(128,113)</u>	<u>24,590</u>
Net change in fund balance . . . . .	7,370	(85,705)	241,761	327,466
<b>Fund balance at beginning of year . . . . .</b>	<b>3,161,955</b>	<b>3,161,955</b>	<b>3,161,955</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>50,158</b>	<b>50,158</b>	<b>50,158</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 3,219,483</u></b>	<b><u>\$ 3,126,408</u></b>	<b><u>\$ 3,453,874</u></b>	<b><u>\$ 327,466</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 225,000	\$ 50,277
<b>Receivables:</b>		
Accounts . . . . .	-	40
Accrued interest. . . . .	295	-
Total assets. . . . .	225,295	\$ 50,317
<b>Liabilities:</b>		
Accounts payable. . . . .	500	\$ 434
Loans from other funds . . . . .	-	686
Due to students. . . . .	-	49,197
Total liabilities . . . . .	500	\$ 50,317
<b>Net position:</b>		
Held in trust for scholarships . . . . .	224,795	
Total net position. . . . .	\$ 224,795	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 297
Gifts and contributions . . . . .	56,510
Total additions . . . . .	56,807
<b>Deductions:</b>	
Payments in accordance with trust agreements . . . . .	9,189
Change in net position . . . . .	47,618
<b>Net position at beginning of year . . . . .</b>	<b>177,177</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 224,795</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Nelsonville-York City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city district as defined by Section 3311.02 of the Ohio Revised Code. The District is governed by a five-member Board of Education (the "Board") elected by its citizens, which is responsible for the provision of public education to residents of the District.

The District's facilities are staffed by 59 classified employees and 90 certified employees who provide services to 1,303 students and other community members.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

Parent Teacher Organization  
Athens-Meigs Educational Service Center  
Booster Club

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Tri-County Career Center

The Tri-County Career Center (the "Career Center") is a jointly governed organization providing vocational services to its eight member districts, governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2013, the District made no contributions to the Career Center. Financial information can be obtained from Tri-County Career Center, 15676 State Route 691, Nelsonville, Ohio 45764.

Southeastern Ohio Voluntary Education Cooperative

The District is a participant among a ten county consortium of school districts to operate the Southeastern Ohio Voluntary Education Cooperative (SEOVEC). 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 districts. SEOVEC is governed by a board of directors consisting of one representative from each of the participating districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The District paid \$59,344 to SEOVEC for services provided during the year. Financial information for SEOVEC can be obtained from their administrative offices at P.O. Box 1250, Athens, Ohio 45701.

Athens County School Employees Health and Welfare Benefit Association

The District is a participant in a consortium of seven districts to operate the Athens County School Employees Health and Welfare Benefit Association (the "Association"). The Association was created to provide health care and dental benefits for the employees and eligible dependents of employees of participating districts. The Association has contracted with Anthem Insurance Company to be the health care provider for medical benefits as well as to provide aggregate and specific stop loss insurance coverage, and Coresource to provide administration for its dental benefits. The Association is governed by a board of directors consisting of one representative from each of the participating districts. Financial information for the Association can be obtained from the administrators at Combs & Associates, P.O. Box 735, Kenton, Ohio 43326.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

*GROUP PURCHASING POOL*

Ohio School Boards Association of Workers' Compensation Group Rating Plan

The District participates in a group rating plan for worker's compensation benefits as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows and liabilities and deferred inflows is reported as fund balance. The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) 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, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

*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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's fiduciary funds are a private purpose trust fund held for scholarships and an agency fund which is used to account for student activities.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.



**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, transportation fees, grants, student fees and rentals.

*Deferred Inflows of Resources and Deferred Outflows of Resources* - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

**E. Budgets**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount of 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 control has been established by the Board of Education at the object level within each function for the general fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as original budgeted amounts reflect amounts on the certificate of estimated resources in effect when the permanent appropriations were passed. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during fiscal year 2013.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during fiscal year 2013.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2013, investments were limited to nonnegotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

The District has invested funds in STAR Ohio during fiscal year 2013. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2013.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$5,779 which includes \$2,066 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**G. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption and donated food, purchased food and school supplies held for resale. The cost of inventory items is recorded as an expenditure in the governmental funds when consumed, used or sold. Commodities are presented at their entitlement value.

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains its capitalization threshold at \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	15 - 50 years
Buildings and improvements	15 - 50 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	8 years

**I. Interfund Balances**

Interfund loans that are used to cover negative cash balances are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net position. Loans between governmental activities and the agency fund are classified as “loans receivable/payable” on the government-wide and fund financial statements.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and loans are recognized as a liability on the fund financial statements when due.

**L. Fund Balance**

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

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

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District 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 fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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 could be used.

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for a special trust fund.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**N. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation.

During fiscal year 2013, the District held monies for the 2006 Columbus Regional Airport Authority Capital Funding Revenue Bond (OASBO Expanded Asset Pooled Financing Program). Reserved amounts at June 30, 2013 have been restricted and are presented as cash and cash equivalents held in escrow.

**O. Estimates**

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

**P. Interfund Activity**

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

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**Q. Bond Premium**

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, bond premiums are recognized in the current period. A reconciliation of the bonds face value and the amount reported on the statement of net position is presented in Note 9.A.

**R. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction was reported for fiscal year 2013.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Food service	\$ 37,016
Public school preschool	17
Title I	10,311
IDEA preschool handicapped	123
Improving teacher quality	10,005

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.



**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 that 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**A. Deposits with Financial Institutions**

At June 30, 2013, the carrying amount of all District deposits was \$2,369,587, which is exclusive of STAR Ohio reported as an investment below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$28,497 of the District's bank balance of \$2,499,328 was exposed to custodial risk as discussed below, while \$2,470,831 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2013, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 4,346,489	\$ 4,346,489
	<u>\$ 4,346,489</u>	<u>\$ 4,346,489</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 District does not have a policy for custodial credit risk beyond the requirements of State statute.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
STAR Ohio	\$ 4,346,489	100.00%
	<u>\$ 4,346,489</u>	<u>100.00%</u>

**C. Reconciliation of Cash and Investment to the Statement of Net Position**

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 as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,369,587
Investments	4,346,489
Cash with escrow agent	<u>81,807</u>
Total	<u>\$ 6,797,883</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,522,606
Private-purpose trust fund	225,000
Agency fund	<u>50,277</u>
Total	<u>\$ 6,797,883</u>

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances consisted of the following due to/from other funds at June 30, 2013, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 100,782

The primary purpose of the interfund loans due to the general fund is the cover negative cash balances in nonmajor governmental funds. These negative cash balances are allowable under Ohio Revised Code Section 3315.20. The interfund balances will be repaid once the anticipated revenues are received.

Amounts due to/from other funds between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers from general fund to:	
Bond retirement fund	\$ 129,724
Nonmajor governmental funds	<u>18,000</u>
	<u>\$ 147,724</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements. No interfund transfers are reported on the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- C.** Loans outstanding at June 30, 2013 between governmental funds and fiduciary funds consist of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Agency fund	\$ 686

This loan is expected to be repaid within one year.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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.

The District receives property taxes from Athens and Hocking Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$207,813 in the general fund, \$54,390 in the bond retirement fund, and \$3,730 in the classroom facilities maintenance fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$163,907 in the general fund, \$46,736 in the bond retirement fund, and \$2,970 in the classroom facilities maintenance fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 83,899,470	87.27	\$ 84,387,410	87.38
Public utility personal	<u>12,239,390</u>	<u>12.73</u>	<u>12,188,600</u>	<u>12.62</u>
Total	<u>\$ 96,138,860</u>	<u>100.00</u>	<u>\$ 96,576,010</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.44		\$ 33.53	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2013 consisted of property taxes, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

<b>Governmental activities:</b>	
Property taxes	\$ 2,468,607
Intergovernmental	565,686
Accrued interest	<u>917</u>
Total	<u>\$ 3,035,210</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>6/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/13</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 148,080	\$ -	\$ (12,568)	\$ 135,512
Total capital assets, not being depreciated	<u>148,080</u>	<u>-</u>	<u>(12,568)</u>	<u>135,512</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,954,284	-	(158,846)	1,795,438
Building and improvements	22,518,179	-	(137,178)	22,381,001
Furniture, fixtures and equipment	866,679	-	(44,085)	822,594
Vehicles	<u>1,421,213</u>	<u>-</u>	<u>-</u>	<u>1,421,213</u>
Total capital assets, being depreciated	<u>26,760,355</u>	<u>-</u>	<u>(340,109)</u>	<u>26,420,246</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(770,380)	(86,576)	20,780	(836,176)
Building and improvements	(6,985,527)	(597,902)	74,669	(7,508,760)
Furniture and equipment	(472,553)	(22,359)	44,085	(450,827)
Vehicles	<u>(1,081,209)</u>	<u>(28,785)</u>	<u>-</u>	<u>(1,109,994)</u>
Total accumulated depreciation	<u>(9,309,669)</u>	<u>(735,622)</u>	<u>139,534</u>	<u>(9,905,757)</u>
Governmental activities capital assets, net	<u>\$ 17,598,766</u>	<u>\$ (735,622)</u>	<u>\$ (213,143)</u>	<u>\$ 16,650,001</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 382,568
Other instruction	969
<u>Support services:</u>	
Instructional staff	7,285
Administration	2,837
Operations and maintenance	24,891
Pupil transportation	29,535
Extracurricular activities	10,818
Food service operations	9,931
Unallocated depreciation	<u>266,788</u>
Total depreciation expense	<u>\$ 735,622</u>

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

	Issue Date	Interest Rate	Balance 06/30/12	Additions	Reductions	Balance 06/30/13	Amounts Due in One Year
<b>Governmental activities:</b>							
General obligation bonds:							
Refunding bonds	2006	3 - 5.25%	\$ 1,235,000	\$ -	\$ (130,000)	\$ 1,105,000	\$ 150,000
School improvement bonds	2006	3 - 5.25%	4,375,000	-	(125,000)	4,250,000	130,000
Total general obligation bonds			5,610,000	-	(255,000)	5,355,000	280,000
Other long-term obligations:							
Lease-purchase agreement		4.57 - 6.87%	665,000	-	(98,000)	567,000	103,000
Compensated absences payable			608,727	289,547	(153,806)	744,468	219,955
Total governmental activities long-term liabilities			<u>\$ 6,883,727</u>	<u>\$ 289,547</u>	<u>\$ (506,806)</u>	6,666,468	<u>\$ 602,955</u>
Add: unamortized premium						57,777	
Total on statement of net position						<u>\$ 6,724,245</u>	

Compensated absences will be paid from the fund from which the employee is paid, which is primarily the general fund. The general obligation bonds and the lease-purchase agreement are paid from the bond retirement fund.

*School improvement and refunding general obligation bonds* - On July 12, 2005, the District issued \$6,970,000 of general obligation bonds which included serial and term bonds in the amount of \$3,850,000 and \$3,120,000, respectively. The total production from the sale of the bonds (including bond premium of \$78,000) were used to (1) retire \$2,500,000 in previously issued bond anticipation notes issues for constructing school facilities, constructing additions to and renovation renovating and improving existing school facilities, furnishing and equipping the same and landscaping and improving sites thereof, (2) retire \$2,708,000 of previously issued bond anticipation notes issued to finance the local share portion of construction under the State of Ohio Classroom Facilities Assistance Program through the Ohio Facilities Construction Commission (formally known as the Ohio School Facilities Commission), and (3) to advance refund \$1,840,000 of Series 1996 School Facilities and Construction Bonds. The interest rates on the serial bonds range between 3.00 – 5.25% with a final stated maturity of December 1, 2025. The interest rates on the term bonds range between 4.125 – 5.00% with a final stated maturity of December 1, 2032. The general obligation bonds are paid from the bond retirement fund.

The term bonds are subject to mandatory sinking fund redemption prior to the scheduled maturity. On December 1 in each year 2019 through 2032, the District is required to make a mandatory deposit into a sinking fund that will provide for payment of the term bonds upon maturity.



**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The term bonds are subject to mandatory sinking fund requirements and required scheduled principal payments as follows:

<u>Year</u>	<u>Mandatory Sinking Fund Requirement</u>	<u>Year</u>	<u>Mandatory Sinking Fund Requirement</u>
2019	\$ 175,000	2026	245,000
2020	180,000	2027	255,000
2021	190,000	2028	265,000
2022	200,000	2029	275,000
2023	210,000	2030	290,000
2024	220,000	2031	300,000
2025	-	2032	315,000

A portion of the bond proceeds were used to advance refund \$1,840,000 of the Series 1996 School Facilities and Construction Bonds which had a stated maturity of December 1, 2018. Proceeds of \$1,949,570 (including premium and after underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent (Huntington National Bank, Cincinnati, Ohio) to provide for all future debt payments on the refunded Series 1996 general obligation bonds. As a result, \$1,840,000 of these bonds were considered defeased and the liability for the refunded portion of these bonds has been removed from the basic financial statements. As of June 30, 2013, the balance of the refunded bonds is \$1,075,000.

*Lease purchase agreement* – In September 2007, the District entered into a \$1,011,000 lease purchase agreement at an interest rate of 4.80% through the OASBO pooled funding program to fund the local share of a project amendment under the construction project with the Ohio Facilities Construction Commission. The funds are to be repaid over a ten year period beginning in August 2009 from the bond retirement fund.

The following is a summary of the future debt service requirements to maturity for the general obligation bonds and the lease-purchase agreement:

<u>Year Ended</u>	<u>2006 Refunding Bonds</u>			<u>2006 School Improvement Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 150,000	\$ 49,200	\$ 199,200	\$ 130,000	\$ 192,062	\$ 322,062
2015	160,000	41,250	201,250	140,000	185,138	325,138
2016	180,000	33,900	213,900	155,000	178,750	333,750
2017	190,000	26,000	216,000	150,000	172,288	322,288
2018	200,000	16,250	216,250	160,000	164,537	324,537
2019 - 2023	225,000	5,625	230,625	910,000	693,188	1,603,188
2024 - 2028	-	-	-	1,160,000	440,269	1,600,269
2029 - 2033	-	-	-	1,445,000	158,844	1,603,844
Total	<u>\$ 1,105,000</u>	<u>\$ 172,225</u>	<u>\$ 1,277,225</u>	<u>\$ 4,250,000</u>	<u>\$ 2,185,076</u>	<u>\$ 6,435,076</u>

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the lease purchase agreement:

Year Ended	Lease Purchase Agreement		
	Principal	Interest	Total
2014	\$ 103,000	\$ 25,517	\$ 128,517
2015	108,000	20,295	128,295
2016	113,000	14,825	127,825
2017	119,000	9,083	128,083
2018	<u>124,000</u>	<u>3,069</u>	<u>127,069</u>
Total	<u>\$ 567,000</u>	<u>\$ 72,789</u>	<u>\$ 639,789</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$4,812,470 (including available funds of \$1,475,629) and an unvoted debt margin of \$96,576.

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent and Treasurer. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 310 days. Upon retirement, payment is made for an employee's accumulated sick leave up to a maximum of 70 days for certified employees, administrators and classified employees.

**B. Insurance Benefits**

The District has elected to provide employee medical/surgical benefits, dental and prescription drug benefits through the Athens County School Employees Health and Welfare Benefit Association. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The 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 2013, the District contracted with Reed & Baur Ohio Casualty Insurance for various types of insurance as follows:

Coverage Type	Coverage Amount
Building and contents (\$1,000 deductible)	\$ 47,382,829
Automobile liability (\$100 deductible):	
Per person	1,000,000
Per accident	1,000,000
Uninsured motorists (\$100 deductible):	
Per person	1,000,000
Per accident	1,000,000
General liability:	
Per occurrence	2,000,000
Total per year	2,000,000
Public official bonds:	
Treasurer	100,000
Superintendent/Board President (each)	10,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The building and contents coverage has decreased by \$3,918,612, or 7.6%, since fiscal year 2012.

**B. Workers' Compensation**

For fiscal year 2013, the District participated in the Ohio School Board Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as on experience and a common premium rate is applied to all school districts 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$212,167, \$215,256 and \$215,629, respectively; 70.27 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "*Publications*".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 12 - PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the 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.

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$718,839, \$736,701 and \$739,552, respectively; 84.36 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$13,689 made by the District and \$9,778 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated 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 according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes 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.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$28,857, \$37,373 and \$54,341, respectively; 70.27 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$11,985, \$12,712 and \$13,876, respectively; 70.27 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$55,295, \$56,669 and \$56,889, respectively; 84.36 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 241,761
Net adjustment for revenue accruals	43,577
Net adjustment for expenditure accruals	(12,446)
Net adjustment for other sources/uses	(19,611)
Funds budgeted elsewhere	(2,215)
Adjustment for encumbrances	83,947
GAAP basis	\$ 335,013

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

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

**NOTE 16 - SET-ASIDES**

The 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, 2012	\$ 20,713
Current year set-aside requirement	214,867
Current year qualifying expenditures	(95,344)
Current year offsets	<u>(217,092)</u>
Total	<u>\$ (76,856)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>



**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 17 - FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 557	\$ -	\$ -	\$ 557
Prepays	41,807	-	-	41,807
Total nonspendable	<u>42,364</u>	<u>-</u>	<u>-</u>	<u>42,364</u>
Restricted:				
Debt service	-	1,475,629	-	1,475,629
Capital improvements	-	-	1,123,013	1,123,013
Classroom facilities maintenance	-	-	290,120	290,120
Special education	-	-	10,148	10,148
Extracurricular	-	-	17,376	17,376
Other purposes	-	-	89,263	89,263
Total restricted	<u>-</u>	<u>1,475,629</u>	<u>1,529,920</u>	<u>3,005,549</u>
Committed:				
Capital improvements	-	-	132,681	132,681
Total committed	<u>-</u>	<u>-</u>	<u>132,681</u>	<u>132,681</u>
Assigned:				
Student instruction	3,349	-	-	3,349
Student and staff support	65,342	-	-	65,342
Facilities acquisition and construction	4,670	-	-	4,670
Uniform school supplies	237	-	-	237
Total assigned	<u>73,598</u>	<u>-</u>	<u>-</u>	<u>73,598</u>
Unassigned (deficit)	<u>2,405,441</u>	<u>-</u>	<u>(57,472)</u>	<u>2,347,969</u>
Total fund balances	<u>\$ 2,521,403</u>	<u>\$ 1,475,629</u>	<u>\$ 1,605,129</u>	<u>\$ 5,602,161</u>

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 18 - OTHER COMMITMENTS**

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

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 68,331
Other governmental	<u>47,312</u>
Total	<u>\$ 115,643</u>

## **SUPPLEMENTARY DATA**

NELSONVILLE-YORK CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Child Nutrition Grant Cluster:</b>				
(C)(D) School Breakfast Program	10.553	2013	\$ 147,862	\$ 147,862
(D)(E) National School Lunch Program-Food Donations	10.555	2013	34,720	34,720
(C)(D) National School Lunch Program	10.555	2013	<u>313,964</u>	<u>313,964</u>
<b>Total National School Lunch Program</b>			<u>348,684</u>	<u>348,684</u>
<b>Total U.S. Department of Agriculture and Child Nutrition Grant Cluslet</b>			<u>496,546</u>	<u>496,546</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Title I Grant Cluster:</b>				
(F)(H)(I) Title I Grants to Local Educational Agencies	84.010	2011	(80,177)	-
(F)(H)(I) Title I Grants to Local Educational Agencies	84.010	2012	211,680	203,785
(F)(H)(I) Title I Grants to Local Educational Agencies	84.010	2013	<u>599,230</u>	<u>700,011</u>
<b>Total Title I Grants to Local Educational Agencies</b>			<u>730,733</u>	<u>903,796</u>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Acv	84.389	2012	<u>115,607</u>	<u>115,607</u>
<b>Total Title I Grant Cluster</b>			<u>846,340</u>	<u>1,019,403</u>
<b>Special Education Grant Cluster:</b>				
(G)(I) Special Education_Grants to States	84.027	2012	7,065	7,881
(G)(I) Special Education_Grants to States	84.027	2013	<u>299,252</u>	<u>298,047</u>
<b>Total Special Education Grants to States</b>			<u>306,317</u>	<u>305,928</u>
(G) Special Education_Preschool Grants	84.173	2012	384	384
(G) Special Education_Preschool Grants	84.173	2013	<u>4,336</u>	<u>4,217</u>
<b>Total Special Education Preschool Grants</b>			<u>4,720</u>	<u>4,601</u>
<b>Total Special Education Grant Cluster</b>			<u>311,037</u>	<u>310,529</u>
Educational Technology State Grants	84.318	2012	<u>6,221</u>	<u>6,221</u>
Rural Education	84.358	2012	5,353	5,538
Rural Education	84.358	2013	<u>15,884</u>	<u>14,841</u>
<b>Total Rural Education</b>			<u>21,237</u>	<u>20,379</u>
Improving Teacher Quality State Grants	84.367	2012	12,635	12,948
Improving Teacher Quality State Grants	84.367	2013	<u>90,915</u>	<u>90,326</u>
<b>Total Improving Teacher Quality State Grants</b>			<u>103,550</u>	<u>103,274</u>
Education Jobs Fund	84.410	2012	<u>91,582</u>	<u>93,163</u>
<b>Total U.S. Department of Education</b>			<u>1,379,967</u>	<u>1,552,969</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,876,513</u>	<u>\$ 2,049,515</u>

continued

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

- (A) OAKS did not assign pass-through numbers for fiscal year 2013.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Title I Grant Cluster" in determining major programs0
- (G) Included as part of "Special Education Grant Cluster" in determining major programs0
- (H) \$80,177 was transferred from 2011 into 2012 and then into 2013, due to a questioned cost reported in the FY2012 audit.
- (I) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2013, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84,010	2011	\$ 80,177	
Title I Grants to Local Educational Agencies	84,010	2012		\$ 80,177
Title I Grants to Local Educational Agencies	84,010	2012	88,066	
Title I Grants to Local Educational Agencies	84,010	2013		88,066
Special Education_Grants to States	84,027	2012	3,028	
Special Education_Grants to States	84,027	2013		3,028
<b>Totals</b>			<b>\$ 171,271</b>	<b>\$ 171,271</b>



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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

Nelsonville-York City School District  
Athens County  
2 Buckeye Drive  
Nelsonville, Ohio 45764

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nelsonville-York City School District, Athens County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Nelsonville-York City School District's basic financial statements and have issued our report thereon dated December 11, 2013.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Nelsonville-York City School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Nelsonville-York City School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Nelsonville-York City School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Education  
Nelsonville-York City School District

***Compliance and Other Matters***

As part of reasonably assuring whether the Nelsonville-York City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as 2013-NYCSD-001.

We also noted certain other matters involving compliance not requiring inclusion in this report, that we reported to the Nelsonville-York City School District's management in a separate report dated December 11, 2013.

***Entity's Response to Findings***

The Nelsonville-York City School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Nelsonville-York City School District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Nelsonville-York City School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Nelsonville-York City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
December 11, 2013



**Julian & Grube, Inc.**  
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to Each  
Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Nelsonville-York City School District  
Athens County  
2 Buckeye Drive  
Nelsonville, Ohio 45764

To the Board of Education:

***Report on Compliance for Each Major Federal Program***

We have audited the Nelsonville-York City School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Nelsonville-York City School District's major federal programs for the fiscal year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Nelsonville-York City School District's major federal programs.

***Management's Responsibility***

The Nelsonville-York City School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the Nelsonville-York City School District's compliance for each of the Nelsonville-York City School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Nelsonville-York City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Nelsonville-York City School District's major programs. However, our audit does not provide a legal determination of the Nelsonville-York City School District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Nelsonville-York City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the fiscal year ended June 30, 2013.



Board of Education  
Nelsonville-York City School District

***Report on Internal Control Over Compliance***

The Nelsonville-York City School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Nelsonville-York City School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Nelsonville-York City School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We also noted a certain matter involving federal compliance not requiring inclusion in this report, that we reported to the Nelsonville-York City School District's management in a separate letter dated December 11, 2013.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
December 11, 2013

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grant Cluster: Title I Grants to Local Educational Agencies - CFDA #84.010; ARRA - Title I Grants to Local Educational Agencies, Recovery Act, CFDA #84.389; and Special Education Grant Cluster: Special Education Grants to States, CFDA #84.027; Special Education Preschool Grants, CFDA #84.173
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND REPOSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2013-NYCSD-001

Noncompliance

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the treasurer of the subdivision. The treasurer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a treasurer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- a) “Then and Now” certificate - If the treasurer can certify that both at the time that the contractor order was made (“then”), and at the time that the treasurer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the subdivision can authorize the drawing of a warrant for the payment of the amount due. The subdivision has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the treasurer’s office without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the subdivision.
  
- b) Blanket certificate - Treasurers may prepare “blanket” certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
  
- c) Super Blanket certificate - The subdivision may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the treasurer for most professional services, fuel, oil food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

The District did not properly certify thirty-eight percent of the disbursement transactions tested during 2013.

Without timely certification, the District may expend more funds than available in the treasury, in the process of collection, or appropriated by the Board of Education, which could potentially lead to negative fund balances. In addition, the District may make unnecessary purchases.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND REPOSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2013-NYCSD-001 - (Continued)

To improve controls over disbursements, and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the treasurer should certify that the funds are or will be available prior to the obligation by the District. When prior certification is not possible, "then and now" certification should be used. When the "Then and Now" certification is used for amounts in excess of \$3,000, the Board of Education should approve the payment by resolution within 30 days.

*Client Response:* It is the intent of the District to improve compliance by more closely following as described in the finding to ensure prior certification for exceptions to ORC 5704.41(D) and, when necessary, to have the Board of Education approve payments by resolution.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**NELSONVILLE-YORK CITY SCHOOL DISTRICT  
ATHENS COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2012-NYCSD-001	Misstatements in the financial statements for the fiscal year under audit were not initially identified by the District's internal controls.	Yes	N/A
2012-NYCSD-002	Ohio Revised Code Section 5705.36 requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the Treasurer that revenue to be collected will be greater or less than the amount of the official certificate of estimated resources.	Yes	N/A
2012-NYCSD-003	Ohio Revised Code Section 5705.39 requires that total appropriations from each fund shall not exceed estimated resources.	Yes	N/A
2012-NYCSD-004	<u>Noncompliance/Material Weakness/Questioned Cost</u> - The District is required to identify all expenditures that are specifically for the performance of Federal Grant services and determine if the expenditure is allowable per 2 C.F.R. 225 Appendix A before expending money from a Federal Grant. Failure to properly identify allowable costs to the grant program may lead to monies having to be paid back to the federal program and/or having monies withheld from the federal program in the future.	Yes	N/A

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# Dave Yost • Auditor of State

**NELSONVILLE YORK CITY SCHOOL DISTRICT**

**ATHENS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 28, 2014**