

Nelsonville-York City School District
Athens County, Ohio

Single Audit

July 1, 2009 through June 30, 2010
Fiscal Years Audited Under GAGAS: 2010



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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 Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. 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

April 22, 2011

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Nelsonville-York City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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Independent Auditor's Report

Members of the Board
Nelsonville York City School District
Two Buckeye Drive
Nelsonville, Ohio 45764

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nelsonville York City School District, Athens County, Ohio, (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

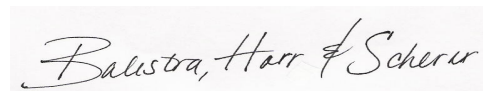
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nelsonville York City School District, Athens County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of 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 not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the basic financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.



Balestra, Harr & Scherer, CPAs, Inc.
March 18, 2011

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

The discussion and analysis of the Nelsonville-York City School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

Financial Highlights

- ▶ The assets of Nelsonville-York City School District exceeded its liabilities at June 30, 2010 by \$29,074,236. This balance was comprised of a \$23,473,340 balance in capital assets net of related debt and net asset amounts of \$3,468,066 restricted for specific purposes and a balance of \$2,132,830 in unrestricted net assets.
- ▶ In total, net assets of governmental activities decreased by \$1,363,109, which represents a 4.48 percent decrease from 2009.
- ▶ General revenues accounted for \$5,166,650 or 34.48 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$9,815,962 or 65.52 percent of total revenues of \$14,982,612.
- ▶ The District had \$16,345,721 in expenses related to governmental activities; only \$9,815,962 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$5,166,650 and net assets from the prior year were used to provide for the remainder of these programs.
- ▶ The District recognizes four major governmental funds: the General, Bond Retirement, LFI Building Fund and Classroom Facilities Construction Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$11,181,812 in revenues and \$10,730,234 in expenditures in fiscal year 2010.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand Nelsonville-York City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

Reporting the District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net assets 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. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the District's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

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 four major governmental funds are the General, Bond Retirement, LFI Building Fund and Classroom Facilities Construction Funds.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. 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.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Funds

The District's fiduciary funds consist of a private purpose trust fund and an agency fund. We exclude these activities 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.

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.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2010 compared to fiscal year 2009:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	2010	2009
<u>Assets:</u>		
Current and Other Assets	\$11,102,586	\$17,270,210
Capital Assets, Net	30,493,784	25,964,229
<i>Total Assets</i>	<u>41,596,370</u>	<u>43,234,439</u>
<u>Liabilities:</u>		
Long-Term Liabilities	7,587,224	8,089,949
Other Liabilities	4,934,910	4,707,145
<i>Total Liabilities</i>	<u>12,522,134</u>	<u>12,797,094</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	23,473,340	18,580,229
Restricted	3,468,066	10,036,710
Unrestricted	2,132,830	1,820,406
<i>Total Net Assets</i>	<u>\$29,074,236</u>	<u>\$30,437,345</u>

Current and other assets decreased \$6,167,624 from fiscal year 2009 due to a decrease in cash, cash equivalents, and investments held by the District. Capital assets increased by \$4,529,555 as a result of additions in improvements and construction in progress in excess of current depreciation.

Other liabilities increased \$227,765 as a result of an increase in contracts payable. Long-term liabilities decreased \$502,725 due to the debt payments made.

The District's largest portion of net assets is related to amounts invested in capital assets, net of related debt. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

The District's smallest portion of net assets is unrestricted. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

The remaining balance of \$3,468,066 is restricted net assets. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2010 and comparisons to fiscal year 2009.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
<u>Revenues:</u>		
<i>Program Revenue:</i>		
Charges for Services and Sales	\$901,342	\$925,393
Operating Grants and Contributions	8,914,620	3,809,414
<i>General Revenue:</i>		
Property Taxes	2,493,774	2,579,254
Unrestricted Grants and Entitlements	2,398,298	11,753,593
Investment Earnings	39,149	196,393
Unrestricted Gifts and Donations	0	124,012
Miscellaneous	<u>235,429</u>	<u>69,172</u>
<i>Total Revenues</i>	<u>14,982,612</u>	<u>19,457,231</u>
<u>Expenses:</u>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	7,416,764	6,468,595
Special	1,710,958	1,588,723
Vocational	95,380	80,013
Student Intervention Services	156,198	155,430
Other	36,026	0

(Continued)

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

Table 2
Changes in Net Assets

	<u>2010</u>	<u>2009</u>
<i>Support Services:</i>		
Pupils	358,401	307,251
Instructional Staff	1,154,743	1,047,306
Board of Education	72,039	55,883
Administration	1,290,550	1,237,257
Fiscal	353,053	349,901
Operation and Maintenance of Plant	1,263,660	1,032,655
Pupil Transportation	990,077	842,829
Central	0	880
<i>Operation of Non-Instructional Services:</i>		
Food Service	749,395	481,388
Other	114,304	17,808
Extracurricular Activities	264,731	267,263
Interest and Fiscal Charges	<u>319,442</u>	<u>330,306</u>
<i>Total Expenses</i>	<u>16,345,721</u>	<u>14,263,488</u>
<i>Change in Net Assets</i>	(1,363,109)	5,193,743
Net Assets – Beginning of Year	<u>30,437,345</u>	<u>25,243,602</u>
Net Assets – End of Year	<u><u>\$29,074,236</u></u>	<u><u>\$30,437,345</u></u>

The most significant program expenses for the District are Regular Instruction, Special Instruction, Administration, Operation and Maintenance of Plant, and Instructional Staff. These programs account for 78.53 percent of the total governmental activities. Regular Instruction, which accounts for 45.37 percent of the total, represents costs associated with providing general educational services. Special Instruction, 10.47 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Administration, which represents 7.90 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Operation and Maintenance of Plant, which represents 7.73 percent of the total, represents costs associated with the operating and maintaining the District's facilities. Instructional Staff, which represents 7.06 percent of the total, represents costs associated with assisting the teaching staff with the content and process of educating students.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

As noted previously, the net assets for governmental activities decreased \$1,363,109 or 4.48 percent. This is a change from last year when net assets increased \$5,193,743 or 20.57 percent. Total revenues decreased \$4,474,619 or 22.99 percent over last year and expenses increased \$2,082,233 or 14.60 percent over last year.

The District had program revenue increases of \$5,081,155. General revenues decreased \$9,555,774. The increase in program revenue is due primarily to the reclassification of grants revenue from unrestricted grants to operating grants. The decrease in general revenues is the result of a decrease in intergovernmental revenue.

The increase in total expenses for governmental activities was primarily due to increases in operation of non-instructional services and operation and maintenance of plant.

The majority of the funding for the most significant programs indicated above is property taxes, grants and entitlements not restricted for specific programs and operating grants and contributions. Property taxes, grants and entitlements not restricted and operating grants and contributions account for 92.15 percent of total revenues.

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 16.64 percent and intergovernmental revenue made up 75.51 percent of the total revenue for the governmental activities in fiscal year 2010.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2010, the District received \$7,860,541 through the State's foundation program, which represents 52.46 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 57.60 percent of governmental activities program expenses. Support services expenses make up 33.54 percent of governmental activities expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
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(Unaudited)*

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2010 and comparisons to fiscal year 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3
Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<i>Program Expenses:</i>				
Instruction	\$9,415,326	\$8,292,761	\$2,479,542	\$5,420,340
Support Services	5,482,523	4,873,962	3,369,908	3,739,349
Operation of Non-Instructional Services	863,699	499,196	157,403	(163,065)
Extracurricular Activities	264,731	267,263	203,464	201,751
Interest and Fiscal Charges	319,442	330,306	319,442	330,306
Total Expenses	<u>\$16,345,721</u>	<u>\$14,263,488</u>	<u>\$6,529,759</u>	<u>\$9,528,681</u>

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues and other financing sources of \$17,374,132 and expenditures and other financing uses of \$21,315,227.

Total governmental funds fund balance decreased by \$3,941,095. The decrease in fund balance for the year was most significant in the Classroom Facilities Construction Fund, a decrease of \$3,869,386, primarily due to expenditures for construction exceeding revenues.

The District should remain stable in fiscal years 2011 and 2012. However, projections beyond fiscal year 2012 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

Budget Highlights - General Fund

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

During the course of fiscal year 2010, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors' flexibility for site management.

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis revenue was \$11,153,411 representing a \$753,611 increase from the original budget estimate of \$10,399,800. The final budget reflected a 7.25 percent increase from the original budgeted amount. For the General Fund, the final budget basis expenditures were \$11,343,737 representing an increase of \$960,231 from the original budget expenditures of \$10,383,506. The final budget reflected a 9.25 percent increase from the original budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$40.1 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$9.6 million. Table 4 shows fiscal year 2010 balances compared to fiscal year 2009.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

Table 4
Capital Assets & Accumulated Depreciation at Year End

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
<i>Nondepreciable Capital Assets:</i>		
Land	\$119,344	\$119,344
Construction in Progress	0	13,196,884
<i>Depreciable Capital Assets:</i>		
Land Improvements	2,098,861	2,098,861
Buildings and Improvements	33,252,059	14,887,457
Furniture, Fixtures and Equipment	3,112,411	2,997,171
Vehicles	1,483,826	1,340,398
Infrastructure	37,718	37,718
<i>Total Capital Assets</i>	<u>40,104,219</u>	<u>34,677,833</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	(615,223)	(532,582)
Buildings and Improvements	(5,721,748)	(5,045,331)
Furniture, Fixtures and Equipment	(2,100,764)	(2,016,011)
Vehicles	(1,166,948)	(1,115,311)
Infrastructure	(5,752)	(4,369)
<i>Total Accumulated Depreciation</i>	<u>(9,610,435)</u>	<u>(8,713,604)</u>
Capital Assets, Net	<u>\$30,493,784</u>	<u>\$25,964,229</u>

More detailed information pertaining to the District's capital asset activity can be found in the notes to the basic financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

Debt Administration

At June 30, 2010, the District had \$6,105,000 in long-term general obligation debt and \$849,000 in lease-purchase agreement obligations. Table 5 summarizes the District's bonds and lease-purchase agreement obligations outstanding for fiscal year 2010 compared to fiscal year 2009.

Table 5
Outstanding Long-Term Debt, Governmental Activities at Year End

<u>Purpose</u>	<u>2010</u>	<u>2009</u>
General Obligation Bonds	\$6,105,000	\$6,355,000
Lease-Purchase Agreements	849,000	1,029,000
Total	<u>\$6,954,000</u>	<u>\$7,384,000</u>

More detailed information pertaining to the District's long-term debt activity can be found in the notes to the basic financial statements.

Current Issues

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 meet 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.

The State Legislature has also made several significant changes impacting local taxes:

In 2003 the Ohio Legislature modified the provisions of the 1999 HB283. This bill was designed to reduce the assessed valuation of the inventory component of personal property tax from 25 percent to 0 percent by 2031. The modification speeds up the reduction of assessed valuation to be completed in half the original time.

Effective May 1, 2001 a kilowatt hour (KWH) tax began being collected. 37.8 percent of these new dollars would be deposited in a new Property Tax Replacement Fund (PTRF). 70 percent of the PTRF will be paid to school districts that lost revenue as determined by the Ohio Department of Taxation. First, distribution will be made to cover costs of fixed sum levies such as debt issues and emergency levies. Next, fixed rate levies would be replaced through 2007; after this a phase out formula would begin.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010 (Unaudited)

In 2009 HB1 introduced a new method for funding schools, the Evidence Based Model. This model shifted school funding away from primarily a per pupil amount. The EBM funds schools based on basic educational needs which are still driven by student counts. Under the EBM these student counts drive the number and types of instructional staff that are needed.

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 FY2006:

- **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 2010. Ohio school districts are to be “held harmless” by receiving state funds to off-set the amount lost due to the decrease in value. This “hold harmless” is to be at 100% through 2011 and then it will begin to be phased down to zero in 2018.

Nelsonville-York City School District had a \$2.1 million tangible personal property valuation which generated approximately \$.06 million tax dollars annually. While the “hold harmless” provisions of this bill will keep us at the same funding level as 2004, it does not allow for growth and the District will need to find ways to reduce costs or increase local funding when the phase out period begins in 2012.

- **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 FY2011 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 June, 2009.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information contact Sandi Hurd, Treasurer of Nelsonville-York City School Board of Education, 2 Buckeye Drive, Nelsonville, Ohio 45764.

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NELSONVILLE-YORK CITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$7,494,527
Cash and Cash Equivalents in Segregated Accounts	329,190
Cash and Cash Equivalents Held for Escrow	179,250
Property Taxes Receivable	2,691,752
Accounts Receivable	123
Intergovernmental Receivable	220,643
Inventory Held for Resale	3,193
Materials and Supplies Inventory	3,622
<i>Restricted Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	180,286
Nondepreciable Capital Assets	119,344
Depreciable Capital Assets, Net	<u>30,374,440</u>
<i>Total Assets</i>	<u>41,596,370</u>
<u>Liabilities:</u>	
Accounts Payable	60,674
Accrued Wages and Benefits	1,361,395
Contracts Payable	925,556
Retainage Payable	329,190
Intergovernmental Payable	242,417
Accrued Interest Payable	33,239
Deferred Revenue	1,936,914
Matured Compensated Absences Payable	45,525
<i>Long-Term Liabilities:</i>	
Due within One Year	450,537
Due in More Than One Year	<u>7,136,687</u>
<i>Total Liabilities</i>	<u>12,522,134</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	23,473,340
<i>Restricted for:</i>	
Capital Outlay	1,730,381
Debt Service	1,376,043
Other Purposes	361,642
Unrestricted	<u>2,132,830</u>
<i>Total Net Assets</i>	<u><u>\$29,074,236</u></u>

See accompanying notes to the basic financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$7,416,764	\$677,017	\$4,443,016	(\$2,296,731)
Special	1,710,958	0	1,642,985	(67,973)
Vocational	95,380	0	12,368	(83,012)
Student Intervention Services	156,198	0	160,398	4,200
Other	36,026	0	0	(36,026)
<i>Support Services:</i>				
Pupils	358,401	0	0	(358,401)
Instructional Staff	1,154,743	9,703	707,098	(437,942)
Board of Education	72,039	0	0	(72,039)
Administration	1,290,550	0	393,816	(896,734)
Fiscal	353,053	0	0	(353,053)
Operation and Maintenance of Plant	1,263,660	0	425,918	(837,742)
Pupil Transportation	990,077	1,322	574,758	(413,997)
<i>Operation of Non-Instructional Services:</i>				
Food Service	749,395	152,033	505,699	(91,663)
Other	114,304	0	48,564	(65,740)
Extracurricular Activities	264,731	61,267	0	(203,464)
Interest and Fiscal Charges	319,442	0	0	(319,442)
Total Governmental Activities	\$16,345,721	\$901,342	\$8,914,620	(6,529,759)
<u>General Revenues:</u>				
<i>Property Taxes Levied for:</i>				
General Purposes				1,885,423
Debt Service				566,246
Capital Outlay				42,105
Grants and Entitlements not Restricted to Specific Programs				2,398,298
Investment Earnings				39,149
Miscellaneous				235,429
Total General Revenues				5,166,650
Change in Net Assets				(1,363,109)
<i>Net Assets at Beginning of Year</i>				<u>30,437,345</u>
<i>Net Assets at End of Year</i>				<u><u>\$29,074,236</u></u>

See accompanying notes to the basic financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2010*

	General	Bond Retirement	Classroom Facilities Construction	LFI Building Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>						
Equity in Pooled Cash, Cash Equivalents, and Investments	\$3,324,041	\$1,060,823	\$1,128,260	\$1,500,900	\$480,503	\$7,494,527
Cash and Cash Equivalents in Segregated Accounts	0	0	329,190	0	0	329,190
Cash and Cash Equivalents Held in Escrow Accounts	0	179,250	0	0	0	179,250
Property Taxes Receivable	2,047,218	604,920	0	0	39,614	2,691,752
Materials and Supplies Inventory	2,938	0	0	0	684	3,622
Accounts Receivable	123	0	0	0	0	123
Intergovernmental Receivable	0	0	0	0	220,643	220,643
Interfund Receivable	33,565	0	0	0	0	33,565
Inventory Held for Resale	0	0	0	0	3,193	3,193
<u>Restricted Assets:</u>						
Equity in Pooled Cash, Cash Equivalents, and Investments	180,286	0	0	0	0	180,286
<i>Total Assets</i>	<u>\$5,588,171</u>	<u>\$1,844,993</u>	<u>\$1,457,450</u>	<u>\$1,500,900</u>	<u>\$744,637</u>	<u>\$11,136,151</u>
<u>Liabilities and Fund Balances:</u>						
<u>Liabilities:</u>						
Accounts Payable	\$27,840	\$0	\$0	\$0	\$32,834	\$60,674
Accrued Wages and Benefits	1,045,300	0	0	0	316,095	1,361,395
Contracts Payable	0	0	807,216	118,340	0	925,556
Intergovernmental Payable	194,043	0	0	0	48,374	242,417
Retainage Payable	0	0	329,190	0	0	329,190
Interfund Payable	0	0	0	0	33,565	33,565
Deferred Revenue	1,850,066	546,918	0	0	166,476	2,563,460
Matured Compensated Absences Payable	45,525	0	0	0	0	45,525
<i>Total Liabilities</i>	<u>3,162,774</u>	<u>546,918</u>	<u>1,136,406</u>	<u>118,340</u>	<u>597,344</u>	<u>5,561,782</u>
<u>Fund Balances:</u>						
Reserved for Encumbrances	94,303	0	181,576	799,227	20,386	1,095,492
Reserved for Property Taxes	197,152	58,002	0	0	3,591	258,745
Reserved for Textbooks and Instructional Materials	87,959	0	0	0	0	87,959
Reserved for Capital Improvements	50,876	0	0	0	0	50,876
Reserved for Budget Stabilization	40,730	0	0	0	0	40,730
Reserved for Bus Purchases	721	0	0	0	0	721
<u>Unreserved, Undesignated, Reported in:</u>						
General Fund	1,953,656	0	0	0	0	1,953,656
Special Revenue Funds	0	0	0	0	97,379	97,379
Debt Service Fund	0	1,240,073	0	0	0	1,240,073
Capital Projects Funds	0	0	139,468	583,333	25,937	748,738
<i>Total Fund Balances</i>	<u>2,425,397</u>	<u>1,298,075</u>	<u>321,044</u>	<u>1,382,560</u>	<u>147,293</u>	<u>5,574,369</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,588,171</u>	<u>\$1,844,993</u>	<u>\$1,457,450</u>	<u>\$1,500,900</u>	<u>\$744,637</u>	<u>\$11,136,151</u>

See accompanying notes to the basic financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Total Governmental Fund Balances \$5,574,369

*Amounts reported for governmental activities in the statement of
 net assets are different because:*

Capital assets used in governmental activities are not financial resources and
 therefore are not reported in the funds. 30,493,784

Some of the District's receivables will be collected after fiscal year-end; however they are
 not available soon enough to pay for the current period's expenditures and
 therefore are deferred in the funds. These receivables consist of:

Property taxes	496,093	
Intergovernmental	130,453	
Total receivables that are not reported in the funds		626,546

Some liabilities are not due and payable in the current period and therefore are
 not reported in the funds. These liabilities consist of:

General obligation bonds	(6,105,000)	
Premium on bonds issued	(66,444)	
Lease-Purchase agreements	(849,000)	
Accrued interest	(33,239)	
Compensated absences	(566,780)	
Total liabilities that are not reported in the funds		(7,620,463)

Net Assets of Governmental Activities \$29,074,236

See accompanying notes to the basic financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	Classroom Facilities Construction	LFI Building Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Property Taxes	\$1,847,184	\$555,527	\$0	\$0	\$41,595	\$2,444,306
Intergovernmental	8,449,652	73,467	2,292,614	0	2,734,001	13,549,734
Interest	6,321	0	30,166	2,574	88	39,149
Tuition and Fees	674,266	0	0	0	13,576	687,842
Extracurricular Activities	0	0	0	0	61,267	61,267
Gifts and Donations	169,000	0	0	0	200	169,200
Customer Sales and Services	0	0	0	0	152,033	152,033
Miscellaneous	35,389	0	0	0	31,040	66,429
Total Revenues	11,181,812	628,994	2,322,780	2,574	3,033,800	17,169,960
<u>Expenditures:</u>						
<i>Current:</i>						
<i>Instruction:</i>						
Regular	4,840,320	0	0	0	420,577	5,260,897
Special	824,747	0	0	0	920,434	1,745,181
Vocational	94,490	0	0	0	0	94,490
Student Intervention Services	75,450	0	0	0	80,748	156,198
Other	15,629	0	0	0	20,397	36,026
<i>Support Services:</i>						
Pupils	378,488	0	0	0	0	378,488
Instructional Staff	472,280	0	0	0	691,662	1,163,942
Board of Education	53,157	0	0	0	18,882	72,039
Administration	1,164,214	0	0	0	113,141	1,277,355
Fiscal	322,040	16,667	5,026	3,033	953	347,719
Operation and Maintenance of Plant	1,179,809	0	16,890	0	42,978	1,239,677
Pupil Transportation	977,352	0	0	0	7,983	985,335
Operation of Non-Instructional Services	7,430	0	0	0	827,601	835,031
Extracurricular Activities	174,773	0	0	0	80,713	255,486
Capital Outlay	51,027	0	6,170,250	284,981	0	6,506,258
<i>Debt Service:</i>						
Principal Retirement	95,000	335,000	0	0	0	430,000
Interest and Fiscal Charges	4,028	322,905	0	0	0	326,933
Total Expenditures	10,730,234	674,572	6,192,166	288,014	3,226,069	21,111,055
Excess of Revenues Over (Under) Expenditures	451,578	(45,578)	(3,869,386)	(285,440)	(192,269)	(3,941,095)
<u>Other Financing Sources (Uses):</u>						
Transfers In	43	129,129	0	0	75,000	204,172
Transfers Out	(204,129)	0	0	0	(43)	(204,172)
Total Other Financing Sources (Uses)	(204,086)	129,129	0	0	74,957	0
Net Changes in Fund Balances	247,492	83,551	(3,869,386)	(285,440)	(117,312)	(3,941,095)
Fund Balances at Beginning of Year	2,177,905	1,214,524	4,190,430	1,668,000	264,605	9,515,464
Fund Balances at End of Year	\$2,425,397	\$1,298,075	\$321,044	\$1,382,560	\$147,293	\$5,574,369

See accompanying notes to the basic financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
*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, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$3,941,095)

Amounts reported for governmental activities in the statement of activities are different because:

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. This is the amount by which capital outlays exceeded depreciation in the current period. 4,529,555

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:

Property taxes	49,468	
Intergovernmental	(2,508,364)	
Total revenues not reported in the funds	(2,458,896)	(2,458,896)

Repayment of bond and lease-purchase agreement principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 430,000

In the statement of activities, interest is accrued on outstanding bonds and leases, whereas in governmental funds, interest expenditures are reported when due.

Interest	4,602	
Premium	2,889	
Total accrued interest and premiums	7,491	7,491

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Compensated absences	69,836	
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Change in Net Assets of Governmental Activities (\$1,363,109)

See accompanying notes to the basic financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund*

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property Taxes	\$1,786,800	\$1,817,977	\$1,817,977	\$0
Intergovernmental	7,943,000	8,450,452	8,450,452	0
Interest	77,500	6,321	6,321	0
Tuition and Fees	555,500	674,266	674,266	0
Gifts and Donations	5,000	169,000	169,000	0
Miscellaneous	32,000	35,395	35,395	0
<i>Total Revenues</i>	<u>10,399,800</u>	<u>11,153,411</u>	<u>11,153,411</u>	<u>0</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	4,496,957	5,011,642	4,942,336	69,306
Special	924,506	957,109	842,610	114,499
Vocational	99,964	99,964	91,361	8,603
Student Intervention Services	0	81,070	75,450	5,620
<i>Support Services:</i>				
Pupils	335,080	335,090	334,637	453
Instructional Staff	523,839	576,791	469,784	107,007
Board of Education	66,135	66,135	66,232	(97)
Administration	1,165,951	1,217,336	1,154,507	62,829
Fiscal	313,914	329,634	325,164	4,470
Operation and Maintenance of Plant	1,095,675	1,238,425	1,227,636	10,789
Pupil Transportation	960,052	1,037,037	1,010,688	26,349
Operation of Non-Instructional Services	1,000	10,200	9,218	982
Extracurricular Activities	224,150	207,021	176,129	30,892
Capital Outlay	74,283	74,283	56,027	18,256
<i>Debt Service:</i>				
Principal Retirement	95,000	95,000	95,000	0
Interest and Fiscal Charges	7,000	7,000	4,028	2,972
<i>Total Expenditures</i>	<u>10,383,506</u>	<u>11,343,737</u>	<u>10,880,807</u>	<u>462,930</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>16,294</u>	<u>(190,326)</u>	<u>272,604</u>	<u>462,930</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	43	43	0
Transfers Out	(185,000)	(204,129)	(204,129)	0
Advances Out	0	(33,565)	(33,565)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(185,000)</u>	<u>(237,651)</u>	<u>(237,651)</u>	<u>0</u>
Change in Fund Balance	(168,706)	(427,977)	34,953	462,930
<i>Fund Balance at Beginning of Year</i>	3,253,735	3,253,735	3,253,735	0
Prior Year Encumbrances Appropriated	93,511	93,511	93,504	(7)
<i>Fund Balance at End of Year</i>	<u>\$3,178,540</u>	<u>\$2,919,269</u>	<u>\$3,382,192</u>	<u>\$462,923</u>

See accompanying notes to the basic financial statements

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
<u>Assets:</u>		
<i>Current Assets:</i>		
Equity in Pooled Cash, Cash Equivalents, and Investments	\$178,296	\$54,251
Accrued Interest Receivable	678	0
	<u> </u>	<u> </u>
<i>Total Assets</i>	178,974	54,251
	<u> </u>	<u> </u>
<u>Liabilities:</u>		
<i>Current Liabilities:</i>		
Accounts Payable	7,574	3,080
Due to Students	0	51,171
	<u> </u>	<u> </u>
<i>Total Liabilities</i>	7,574	54,251
	<u> </u>	<u> </u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	171,400	0
	<u> </u>	<u> </u>
<i>Total Net Assets</i>	\$171,400	\$0
	<u> </u>	<u> </u>

See accompanying notes to the basic financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Fiscal Year Ended June 30, 2010

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Gifts and Contributions	\$8,700
Miscellaneous	148
Interest	<u>2,710</u>
<i>Total Additions</i>	<u>11,558</u>
<u>Deductions:</u>	
Payments in Accordance with Trust Agreements	<u>20,489</u>
<i>Total Deductions</i>	<u>20,489</u>
<i>Change in Net Assets</i>	(8,931)
<i>Net Assets Beginning of Year</i>	<u>180,331</u>
<i>Net Assets End of Year</i>	<u><u>\$171,400</u></u>

See accompanying notes to the basic financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

The Nelsonville-York City School District (the "District") is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District provides educational services as authorized by State statute and/or federal guidelines. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the District's instructional support facilities staffed by 65 non-certificated, 94 teaching personnel and 14 administrative employees providing education to approximately 1,340 students.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Nelsonville-York City School 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. The District has no component units.

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.

- ▶ Nelsonville Christian Academy
- ▶ Parent Teacher Organization
- ▶ Athens-Meigs Educational Service Center
- ▶ Booster Club

The District is associated with four organizations, three of which are defined as jointly governed organizations and one as a group purchasing pool. These organizations are the Tri-County Career Center, the Southeastern Ohio Voluntary Education Cooperative, the Athens County School Employees Health and Welfare Benefit Association, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

The financial statements of the Nelsonville-York City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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

B. Fund Accounting

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

Governmental Funds

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

The following are the District's major governmental funds:

General Fund - This fund is the operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

LFI Building Fund - This fund is used to account for financial resources to be used for the acquisition, construction or improvement or capital facilities.

Classroom Facilities Construction Fund - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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 managed activities.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance 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.

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 and fund financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources are collectible 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 the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). 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 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.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

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 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 2010.

The appropriations 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 2010.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents, and Investments" on the financial statements.

During the fiscal year 2010, the District's investments were limited to certificates of deposit with local institutions, U.S. Treasury Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Discount Notes, Federal National Mortgage Association Notes, and STAROhio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2010. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$6,321, which includes \$3,919 assigned from other District funds.

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 presented on the financial statements as cash equivalents.

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.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. 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. As of June 30, 2010, the District reported restricted assets in the General Fund which represent cash, cash equivalents, and investments set aside for statutory set-asides as explained in Note 16.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

During fiscal year 2010, the School District held monies for the renovation of school buildings. Retainage amounts at June 30, 2010 have been restricted and are presented as “Cash and Cash Equivalents in Segregated Accounts.” During fiscal year 2010, the School 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, 2010 have been restricted and are presented as “Cash and Cash Equivalents held in Escrow.”

J. Capital Assets

General capital assets are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets 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 a capitalization threshold of five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	50 years
Furniture, Fixtures and Equipment	6 - 15 years
Vehicles	5 - 10 years
Infrastructure	40 - 75 years

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payable”. These amounts are eliminated in the governmental activities column of the statement of net assets.

L. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences” as interpreted by Interpretation No. 6 of the GASB, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees, and administrators who have at least 20 years of service with the District.

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

For the governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

M. Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities and long-term liabilities 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, compensated absences, special termination of benefits and contractually required pension contributions 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 in the current year. Bonds and loans are recognized as a liability on the fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's restricted net assets of \$3,468,066, none are restricted by enabling legislation.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

O. Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, textbooks and instructional materials, capital improvements, budget stabilization and bus purchases.

P. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one 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 to the funds that initially paid for them are not presented on the financial statements. Interfund transactions within governmental activities are eliminated on the entity-wide statement of activities.

Q. Estimates

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

NOTE 3- NEW GASB PRONOUNCEMENTS

For fiscal year 2010, the District implemented GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies". The implementation of GASB Statement No. 53 and 58 had no effect on the prior period fund balances of the District.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is 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 and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis), is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

	<u>Net Change in Fund Balance</u>
Budget Basis	\$34,953
<i>Adjustments:</i>	
Revenue Accruals	28,401
Expenditure Accruals	28,438
Encumbrances	122,135
Other Sources (Uses)	33,565
GAAP Basis	<u><u>\$247,492</u></u>

NOTE 5 - ACCOUNTABILITY

Fund balances at June 30, 2010 included the following individual fund deficits:

<i>Nonmajor Special Revenue Funds:</i>	
Food Service	63,520
Early Childhood Education	14,170
Ohio Wellness Grant	10,877
State Fiscal Stabilization	45,806
Title I	70,805
Improving Teacher Quality	19,094

The deficit in each of these funds is the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. These deficits will be eliminated as future expected revenues are received. These deficits do not exist on the cash basis. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 6 - CASH, DEPOSITS AND INVESTMENTS

State law requires the classification of 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.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 6 - CASH, DEPOSITS AND INVESTMENTS - (Continued)

Inactive deposits are public deposits that the Board 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 accounts including passbook accounts.

Public depositories must give security for all public funds on deposit. Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the 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.

State Statute permits interim monies to 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 fair 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 fair value daily, and that the term of the agreement must not exceed thirty days;
- (4) Bond and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
- (5) Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
- (6) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (7) The State Treasurer's investment pool (STAR Ohio);
- (8) Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 6 - CASH, DEPOSITS AND INVESTMENTS - (Continued)

- (9) High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
- (10) Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities. 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.

At June 30, 2010, the carrying amount of all the District deposits was \$1,559,845. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2010, the School District's bank balance of \$1,630,615 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Investments: The District had the following investments at June 30, 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Less than one year</u>
STAROhio	\$5,456,325	\$5,456,325
U.S. Treasury Notes	299,920	299,920
Federal Home Loan Bank Discount Notes	1,099,710	1,099,710
Total Fair Value	<u>\$6,855,955</u>	<u>\$6,855,955</u>

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by keeping the portfolio sufficiently liquid to enable the school to meet all operating requirements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 6 - CASH, DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits their investments to STAR Ohio and obligations of Federal Government Agencies or Instrumentalities as described in Ohio Revised Code Section 135.143A(2). Investments in STAR Ohio were rated 'AAAm' by Standard & Poor's. Investments in Federal Home Mortgage Corporation Notes, Federal Home Loan Bank Discount Notes, Federal National Mortgage Association Notes, and U.S. Treasury Notes were rated 'AAA' by Standard and Poor's.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment policy allows investments in eligible securities as described in the Ohio Revised Code. The District has invested 4.37% in Federal Home Loan Bank Discount Notes, 16.04% in U.S. Treasury Notes and 79.59% in STAR Ohio.

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.

All of the District's investments are either insured and registered in the name of the District or at least registered in the name of the District.

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half of tax collections are received by the School 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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar 2010 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 7 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property tax) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The District receives property taxes from Athens and Hocking Counties. The County Auditor from each county periodically advances to the District their portion of the taxes collected. Second-half real property tax payments collected by each county by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2010. Although total property tax collections for the fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$197,152 for the General Fund, \$58,002 for the Bond Retirement Debt Service Fund and \$3,591 for the Classroom Facilities Maintenance Nonmajor Special Revenue Fund.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$73,608,670	89%	\$86,032,400	89.32%
Public Utility Personal	8,756,860	11%	10,263,100	10.66%
Tangible Personal Property	0	0%	21,440	0.02%
Total Assessed Value	<u>\$82,365,530</u>	<u>100%</u>	<u>\$96,316,940</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$34.44		\$34.44	

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 8 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts, interest and intergovernmental grants. 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. The principal items of intergovernmental receivables follow:

Nonmajor Special Revenue Funds:

Lunchroom	\$2,278
Early Childhood	17,641
Title VI-B	5,519
Title I	186,596
Pre School Grant	14
Rural and Low Income	8,595
Total Intergovernmental Receivables	<u>\$220,643</u>

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 9 - CAPITAL ASSETS

Capital asset governmental activity for the fiscal year ended June 30, 2010 was as follows:

Asset Category	Balance at July 1, 2009	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2010
<u>Governmental Activities:</u>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$119,344	\$0	\$0	\$119,344
Construction in Progress	13,196,884	5,142,730	(18,339,614)	0
Total Nondepreciable Capital Assets	13,316,228	5,142,730	(18,339,614)	119,344
<i>Depreciable Capital Assets:</i>				
Land Improvements	2,098,861	0	0	2,098,861
Buildings and Improvements	14,887,457	18,364,602	0	33,252,059
Furniture, Fixtures and Equipment	2,997,171	153,743	(38,503)	3,112,411
Vehicles	1,340,398	153,791	(10,363)	1,483,826
Infrastructure	37,718	0	0	37,718
Total Depreciable Capital Assets	21,361,605	18,672,136	(48,866)	39,984,875
Total Capital Assets	34,677,833	23,814,866	(18,388,480)	40,104,219
<i>Accumulated Depreciation:</i>				
Land Improvements	(532,582)	(82,641)	0	(615,223)
Buildings and Improvements	(5,045,331)	(676,417)	0	(5,721,748)
Furniture, Fixtures and Equipment	(2,016,011)	(123,256)	38,503	(2,100,764)
Vehicles	(1,115,311)	(62,000)	10,363	(1,166,948)
Infrastructure	(4,369)	(1,383)	0	(5,752)
Total Accumulated Depreciation	(8,713,604)	(945,697)	48,866	(9,610,435)
Governmental Activities Capital Assets, Net	<u>\$25,964,229</u>	<u>\$22,869,169</u>	<u>(\$18,339,614)</u>	<u>\$30,493,784</u>

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

<u>Governmental Activities:</u>	
<i>Instruction:</i>	
Regular	\$783,028
Special	4,184
Vocational	67
<i>Support Services:</i>	
Pupils	331
Instructional Staff	9,136
Administration	8,549
Fiscal	4,105
Operation and Maintenance of Plant	21,632
Pupil Transportation	65,532
Operation of Non-Instructional Services	28,408
Extracurricular Activities	20,725
Governmental Activities Depreciation Expense	<u><u>\$945,697</u></u>

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 10 - RISK MANAGEMENT

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 2010, the District contracted with Ohio School Plan for property and fleet insurance, liability insurance, inland marine coverage, and public official bonds. Coverages provided are as follows:

Building and Contents (\$1,000 deductible)	\$38,745,377
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	1,000,000
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. There has been no significant change in coverage from last year.

For fiscal year 2010, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 18). 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 one 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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 11 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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 or by calling (614) 222-5853.

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 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 2010, 12.78 percent of annual covered salary was allocated to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$245,869, \$188,440, and \$182,455, respectively; 62.82 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. \$91,414 representing the unpaid contribution for fiscal year 2010, is recorded as a liability in the basic financial statements.

State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 11 - DEFINED BENEFIT 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent. For fiscal year 2010, 13 percent of the District's contribution was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$667,820, \$674,812, and \$697,178, respectively; 86.33 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. \$91,262 representing the unpaid contribution for fiscal year 2010, is recorded as a liability in the basic financial statements.

Social Security System

Effective June 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

Plan Description - Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or the combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums.

The State Teachers Retirement Board has statutory authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report that includes financial information for the health care plan. Interested parties can view the most recent *Comprehensive Annual Financial Report* at www.strsoh.org or obtain a copy by calling (888)227-7877.

Funding Policy - Under Ohio law, funding for postemployment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14 percent contribution is the maximum rate allowed under Ohio law.

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Districts' contributions allocated to fund postemployment health care benefits for the years ended June 30, 2010, 2009, and 2008 were \$51,371, \$51,509, and \$53,629 respectively; 100 percent has been contributed for years 2010, 2009, and 2008.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$2.7 billion at June 30, 2009 (the latest information year available). For the year ended June 30, 2009, net health care costs paid by STRS were \$298,110,000 and STRS had 126,659 eligible benefit recipients.

Health Care Plan - Ohio law authorizes SERS Ohio to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's 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 Ohio Revised Code (ORC) postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Medicare B plan - reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 premium for calendar year 2010 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation is 0.76%. The District contributions for the years ended June 30, 2010, 2009 and 2008 were, \$2,047, \$2,011, \$1,717, respectively, which equaled the required contributions each year.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is 0.46%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$49,379, \$106,501 and \$101,930, respectively.

The SERS 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 financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 13 - EMPLOYEE BENEFITS

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 60 days for certified employees and administrators and 66 days for classified employees.

Health Care 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. See Note 17 for more information concerning the Athens County School Employees Health and Welfare Benefit Association.

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the District during the 2010 fiscal year were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2009	Additions	Deductions	Principal Outstanding at June 30, 2010	Amount Due In One Year
General Obligation Bonds:							
Refunding Bonds	2006	3.00-5.25%	\$1,605,000	\$0	\$125,000	\$1,480,000	\$130,000
School Improvement Bonds	2006	3.00-5.25%	4,750,000	0	125,000	4,625,000	130,000
Premium on School Improvement Bonds		N/A	69,333	0	2,889	66,444	2,889
Total General Obligation Debt			6,424,333	0	252,889	6,171,444	262,889
Lease-Purchase Agreements		4.57-6.87%	1,029,000	0	180,000	849,000	90,000
Compensated Absences Payable		N/A	636,616	153,040	222,876	566,780	97,648
Total Long-Term Obligations			<u>\$8,089,949</u>	<u>\$153,040</u>	<u>\$655,765</u>	<u>\$7,587,224</u>	<u>\$450,537</u>

*The District made certain reclassifications to conform with current year presentations. The change had no effect on prior year or current year net assets.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

The general obligation bonds were issued in the amount of \$2,731,199 in March 1996 as a result of the District being approved for a \$8,266,334 school facilities loan through the State Department of Education for the construction of an elementary school building and improvements to the middle school building. The District issued the general obligation bonds to provide a partial cash match for the school facilities loan. As a requirement of the loan, the District was required to pass a 4.50 mill levy. The 4.50 mill levy, of which .50 mill was to be used for the retirement of the loan, will be in effect for twenty-three years.

In March 1998, the District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the remainder of the \$8,266,334 classroom facilities loan to the State because the District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the District may become responsible for repayment of a portion of the State's contribution.

2006 School Improvement and Refunding General Obligation Bonds – On July 12, 2005 the School 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 term bonds are subject to mandatory sinking fund redemption prior to the scheduled maturity. \$5,280,000 was issued to retire outstanding bond anticipation notes. The District retired an outstanding note for constructing school facilities, constructing additions to and renovating and improving existing school facilities, furnishing and equipping the buildings, and landscaping and improving the sites in the amount of \$2,500,000 and retired an outstanding note for paying the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program in the amount of \$2,708,000. The District also advanced refunded \$1,840,000 of the Unlimited Tax General Obligation School Facilities Construction and Improvement Bonds, dated March 1, 1996, and originally issued in the aggregate principal amount of \$2,731,199, and maturing December 1, 2018. At the date of refunding, \$1,949,570 (including premium and after underwriting fees, and other issuance costs) was deposited into an Escrow Fund held by the Huntington National Bank, Cincinnati, Ohio. The amount held by the Escrow Trustee was used to pay debt service on the 1996 Refunded Bonds and to redeem the Refunded Bonds on their earliest optional redemption date which was December 1, 2006. There were no outstanding refunded bonds as of June 30, 2010.

During fiscal year 2007, the District entered into two lease-purchase agreements for the purposes of installing artificial turf on the football field and resurfacing the track. One agreement was entered into in July 2006 at an interest of 6.87% with annual payments of \$116,163 due January 1st of each year commencing January 1, 2007. The second agreement was entered into in June 2007 at an interest rate of 4.57% with annual payments of \$95,000 plus interest due January 1st of each year commencing January 1, 2008. This activity is recorded in the General Fund. Capital assets purchased to date equal \$315,000 and are recorded in governmental activities.

In September 2007, the Board of Education approved the authorization of a \$1,011,000 lease-purchase agreement at an interest rate of 4.80% 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 from the General Fund.

The general obligations bonds are paid from the Bond Retirement Debt Service Fund. Compensated absences will be paid from the fund from which the employee is paid.

The District's voted legal debt margin was \$2,563,525 with an unvoted debt margin of \$96,317 at June 30, 2010.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire general obligation bonds at June 30, 2010, are as follows:

Year Ending June 30	2006 Refunding Bonds		2006 G.O. Bonds	
	Principal	Interest	Principal	Interest
2011	\$130,000	\$69,450	\$130,000	\$210,812
2012	125,000	63,325	120,000	204,564
2013	145,000	56,575	125,000	198,437
2014	150,000	49,200	130,000	192,063
2015	160,000	41,250	140,000	185,137
2016-2020	770,000	81,775	805,000	819,900
2021-2025	0	0	1,000,000	597,688
2026-2030	0	0	1,270,000	331,530
2031-2033	0	0	905,000	58,756
Total General Obligation Bonds	<u>\$1,480,000</u>	<u>\$361,575</u>	<u>\$4,625,000</u>	<u>\$2,798,887</u>

Principal and interest requirements to retire the lease-purchase agreements at June 30, 2010, are as follows:

Year Ending June 30	2009 Lease-Purchase Agreements	
	Principal	Interest
2011	\$90,000	\$38,592
2012	94,000	34,176
2013	98,000	29,568
2014	103,000	24,744
2015-2018	464,000	45,840
Total	<u>\$849,000</u>	<u>\$172,920</u>

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 15 - INTERFUND ACTIVITY

A. Interfund Transfers

During fiscal year ended June 30, 2010, the District's interfund transfers were as follows:

Fund	Transfers To	Transfers From
General Fund	\$43	\$204,129
Bond Retirement	129,129	0
<i>Nonmajor Special Revenue Fund:</i>		
Food Service	75,000	0
Other Nonmajor Special Revenue	0	43
Total	<u>\$204,172</u>	<u>\$204,172</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

B. Interfund Advances

Interfund balances at June 30, 2010, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2011 fiscal year:

Interfund Loans	Receivables	Payables
General Fund	\$33,565	\$0
<i>Non-major Special Revenue Fund:</i>		
Ohio Wellness Grant	0	8,500
Title I	0	25,050
Preschool Grant	0	15
Other Non-major Special Revenue Funds	0	33,565
Total Interfund Receivables/Payables	<u>\$33,565</u>	<u>\$33,565</u>

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 16 - STATUTORY SET-ASIDES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, Senate Bill 345 eliminated the requirement for a budget reserve; however, the amount of the budget reserve funded with workers' compensation refunds or rebates may only be used to offset a budget deficit or certain other expenditures as directed by the Board of Education.

The following information describes the change in the fiscal year end set-asides amounts for textbooks, capital improvements, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-Aside Balance as of July 1, 2009	\$64,492	\$20,590	\$40,730	\$125,812
Current Year Set-Aside Requirement	228,600	228,600	0	457,200
Current Year Offsets	0	(37,621)	0	(37,621)
Qualifying Disbursements	<u>(205,133)</u>	<u>(160,693)</u>	<u>0</u>	<u>(365,826)</u>
Total	<u>87,959</u>	<u>50,876</u>	<u>40,730</u>	<u>179,565</u>
Set-Aside Balance as of June 30, 2010	<u><u>\$87,959</u></u>	<u><u>\$50,876</u></u>	<u><u>\$40,730</u></u>	
Total Restricted Assets				<u><u>\$179,565</u></u>

Senate Bill 345 eliminated the Budget Stabilization Reserve, except for amounts related to unspent Bureau of Workers' Compensation refunds. The Bill requires the Board of Education to designate its intended use of the Reserve. On October 8, 2002, the Board approved the retainage of the balance in the Budget Stabilization Reserve as a set-aside.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Tri-County Career Center

The Tri-County 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 2010 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.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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 \$34,591 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 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, OH 43326.

NOTE 18 - GROUP PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for worker's compensation 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 a enrollment fee to the Plan to cover the costs of administering the program.

NOTE 19 - CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 19 – CONTINGENCIES - (Continued)

Litigation

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

NOTE 20 – CONTRACT COMMITMENTS

The District had the following contractual commitments at June 30, 2010.

Contractor	Outstanding Balance
A. J. Stockmeister	\$188,895
Claypool Electric	117,312
Farnham Equipment	9,120
Heapy Engineering	3,150
R. W. Setterlin	528,464
Wenger Furniture	24,684
K. L. Furniture	73,773
Smoot	3,352
Weaver Masonry	25,672
RVC Architects	9,835
Econco	41,200
Total	\$1,025,457

Nelsonville-York City School District
Athens County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 195,356	\$ -	\$ 195,356	\$ -
National School Lunch Program	3L60	10.555	288,460	25,798	288,460	25,798
Total - Nutrition Cluster			483,816	25,798	483,816	25,798
Total United States Department of Agriculture			483,816	25,798	483,816	25,798
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	368,476	-	369,590	-
Special Education - Preschool Grants	3C50	84.173	4,197	-	4,192	-
ARRA - Special Education - Grants to States, Recovery Act	3DJ0	84.391	267,802	-	214,190	-
ARRA - Special Education - Preschool Grants, Recovery Act	3DL0	84.392	65	-	65	-
Total Special Education Cluster			640,540	-	588,037	-
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	765,573	-	788,834	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	73,641	-	48,964	-
Total Title I, Part A Cluster			839,214	-	837,798	-
Safe and Drug-Free Schools and Communities-State Grants	3D10	84.186	6,419	-	5,482	-
Education Technology State Grants	3S20	84.318	9,988	-	9,738	-
Improving Teacher Quality State Grants	3Y60	84.367	136,228	-	137,031	-
Rural Education	3Y80	84.358	17,818	-	20,027	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recover Act	GRF	84.394	549,653	-	500,851	-
Total United States Department of Education			2,199,860	-	2,098,964	-
Total Federal Financial Assistance			\$ 2,683,676	\$ 25,798	\$ 2,582,780	\$ 25,798

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

Nelsonville York City School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

Cash receipts from the U.S. Department of Agriculture are commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal monies were expended first.



**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards***

Members of the Board
Nelsonville York City School District
Two Buckeye Drive
Nelsonville, Ohio 45764

We have audited 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, (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 18, 2011, wherein we noted that the School District implemented GASB Statements No.53 and No.58. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 and 2010-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the Board of Education, management, federal awarding agencies, pass-through entities, and others within the School District. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

March 18, 2011



**Report on Compliance with Requirements Applicable to Each Major Federal Program and
on Internal Control over Compliance Required by OMB Circular A-133**

Members of the Board
Nelsonville York City School District
Two Buckeye Drive
Nelsonville, Ohio 45764

Compliance

We have audited the compliance of Nelsonville York City School District, Athens County, Ohio, (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Nelsonville York City School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Nelsonville York City School District, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2010-003.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

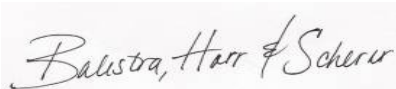
Internal Control Over Compliance (Continued)

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 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.

Our consideration 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

We intend this report solely for the information and use of the Board of Education, management, federal awarding agencies, pass-through entities and others within the School District. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

March 18, 2011

Nelsonville York City School District
Schedule of Findings
OMB Circular A-133 Section .505
June 30, 2010

SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under Section .510?	Yes
<i>(d)(1)(vii)</i>	Major Program(s) (list):	Title 1, Part A Cluster: Title 1 - CFDA # 84.010 Title 1 (ARRA) - CFDA # 84.389 Special Education Cluster: Title VI-B - CFDA #84.027 IDEA Preschool - CFDA #84.173 Title VI-B (ARRA) - CFDA #84.391 IDEA Preschool (ARRA) - CFDA #84.392 State Fiscal Stabilization Fund (ARRA) - CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

Nelsonville York City School District
Schedule of Findings
OMB Circular A-133 Section .505
June 30, 2010

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

Finding 2010-001

Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the School District's Treasurer and Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The School District utilizes the Uniform School Accounting System and currently has monitoring controls over daily cash-basis transactions entered into the system. At year-end the cash basis information from the accounting system is converted into the financial statements reported under Accounting Principles Generally Accepted in the United States of America. Accrual information is prepared by the District and is submitted to an outside accounting firm to prepare the financial statements.

The Annual Financial Statements did not properly disclose all major funds. The 004 Fund, LFI Building Fund, was improperly reported in Other Governmental Funds rather than as a major fund.

The following audit differences were noted and adjusted, where material, to the School District's accounting records and financial report.

GAAP Differences:

- Overstatement of contracts payable in the Classroom Facilities Fund and Governmental Activities due to \$499,986 being recorded that was paid during the fiscal year and misclassification of \$329,190 of retainage payable being classified as contract payable.
- Misclassification of restricted cash in segregated accounts in the Classroom Facilities Fund and Governmental Activities in the amount of \$329,190 being classified as Cash and Cash Equivalents. Misclassification of restricted cash held in escrow in the Debt Service Fund and Governmental Activities in the amount of \$179,250 being classified as Cash and Cash Equivalents.
- Overstatement of Intergovernmental Receivables in Other Governmental Funds in the amount of \$276,963, understatement of Intergovernmental Revenue in Other Governmental Funds in the amount of \$11,600 which resulted in an understatement of Deferred Revenue in Other Governmental Funds in the amount of \$288,563. These adjustments to the fund financials resulted in an understatement of Operating Grants on the Statement of Activities by \$277,143 and an overstatement of Intergovernmental Receivables on the Statement of Net Assets by \$277,143.
- Overstatement of Construction in Progress Additions, Deletions and Additions to Buildings and Improvements due to \$1,068,720 being recorded that was recorded in the previous year.
- Taxes Receivable are understated \$1659
- Revenues are understated \$1659

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

Nelsonville York City School District
Schedule of Findings
OMB Circular A-133 Section .505
June 30, 2010

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding 2010-001 (Continued)

We recommend the School District develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the School District and thereby increasing the reliability of the financial data throughout the year. We also recommend the School District implement additional procedures over the completeness and accuracy of financial information reported within the Annual Financial Report. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

Client Response:

The School District will insure that the contractor escrow funds and the restricted cash held are accounted for correctly in the future. The School District will also work to insure that the intergovernmental receivables are recorded to the correct funds.

Finding 2010-002

Material Weakness – Capital Assets

The School District's EIS reports do not agree to the capital assets recorded in the financial statements. The GAAP conversion did not indicate any deletions to capital assets, however, multiple asset disposals were noted in the Board of Education's minute records. Sufficient documentation was not provided for the calculation of the construction in progress during the audit period or the total amount transferred from construction in progress to Buildings and Improvements.

The combination of these capital asset reporting weaknesses could result in the loss, misappropriation, theft, or diversion of assets, noncompliance with federal grant requirements, and inaccurately valued and reported capital assets.

We recommend that the School District ensure that all of its schools/departments comply with its capital asset tracking policies to help ensure an accurate and complete capital asset listing is maintained and updated timely. The School District should reconcile the detailed capital asset report with the capital asset amounts reported in the financial statements and make the appropriate corrections and/or adjustments as needed. The School District should consider having an appraisal done of all capital assets to ensure that capital asset balances are correctly recorded and should consider reevaluating the estimated useful lives of its assets in order to ensure assets are being depreciated over the complete life of the asset.

Client Response:

The School District has contracted with Valuation Engineers to do a complete appraisal/update of the School District's facilities and capital assets. This onsite update was completed on February 9, 2011, and the updated information will be loaded into the EIS system before June 30th.

Nelsonville York City School District
Schedule of Findings
OMB Circular A-133 Section .505
June 30, 2010

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2010-003
CFDA Title and Number	Title I – CFDA# 84.010, Title I (ARRA) – CFDA# 84.389, Title VI-B – CFDA# 84.027, Title VI-B (ARRA) – CFDA#84.391, IDEA Preschool – CFDA# 84.173, IDEA Preschool (ARRA) – CFDA# 84.392, State Fiscal Stabilization Fund (ARRA) – CFDA#84.394
Federal Award Year	2009-2010
Federal Agency	United States Department of Education

Noncompliance Citation – Reporting

Circular A-133 and Title 31 of the United States Code requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The District did not submit the required reports within this time frame for fiscal year 2009.

The District should ensure that the audits required by Circular A-133 are properly performed and submitted when due. When extensions to the report submission due date are granted by the cognizant or oversight agency for audit, the District should promptly notify the Federal clearinghouse designated by OMB and each pass-through entity providing Federal awards of the extension.

Corrective Action Plan for Finding 2010-003:

Finding Control Number: 2010-003

Summary of Finding: The District did not submit the data collection form and reporting package within the required time frame for fiscal year 2009.

Statement of Concurrence: The District is aware of Finding 2010-003 and agrees that the finding as stated is correct.

Corrective Action: The District is working closely with its independent public accountant to ensure that all appropriate deadlines are met. The District will ensure that this deadline is complied with for 2010 and all future years.

Contact Person: The official responsible for completing the corrective action is listed below:

Sandi Hurd
 Treasurer
 Phone: (740) 753-4441
 Email: ny_shurd@seovec.org

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 SECTION .315(b)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	A significant deficiency was issued for audit adjustments resulting in misstated financial statements.	No	Not Corrected: Reissued as a material weakness in Finding Number 2010-001.
2009-002	A significant deficiency was issued for capital asset reporting on the School District's financial statements.	No	Not corrected: Reissued as a material weakness in Finding Number 2010-002.



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
MAY 5, 2011**