

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

**BASIC FINANCIAL STATEMENTS
*(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2012***

SANDI HURD, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Nelsonville-York City School District, Athens County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. 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 4, 2013

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nelsonville-York City School District, Athens County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Nelsonville-York City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Nelsonville-York City 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, 2012, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the Nelsonville-York City School District restated nonmajor governmental fund balances and governmental activities net assets at July 1, 2011 to properly state contracts and retainage payable.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2013 on our consideration of the Nelsonville-York City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the Nelsonville-York City School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards provides additional information 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. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
February 5, 2013

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

(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, 2012. 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, 2012 by \$16,389,782. This balance was comprised of a \$11,263,099 balance in capital assets net of related debt and net asset amounts of \$3,143,789 restricted for specific purposes and a balance of \$1,982,894 in unrestricted net assets.
- ▶ In total, net assets of governmental activities increased by \$269,587, which represents a 1.84 percent increase from 2011.
- ▶ General revenues accounted for \$10,496,008 or 71.54 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,175,914 or 28.46 percent of total revenues of \$14,671,922.
- ▶ The District had \$14,375,335 in expenses related to governmental activities; only \$4,175,914 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 \$10,496,008 were used to provide for the remainder of these programs.
- ▶ The District recognizes two major governmental funds: the General and Bond Retirement 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 \$11,473,037 in revenues and \$10,816,895 in expenditures in fiscal year 2012.

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, 2012
(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 two major governmental funds are the General and Bond Retirement Funds.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(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, 2012
(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). Net Assets for 2011 have been restated to properly reflect contracts and retainage payable in the prior period (see Note 3). Also, certain Operating Grants and Contributions have been reclassified to Unrestricted Grants and Entitlements for 2011 to be consistent with how 2012 amounts are reported. Table 1 provides a summary of the District's net assets for 2012 compared to fiscal year 2011:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	2012	Restated 2011
<u>Assets:</u>		
Current and Other Assets	\$9,293,116	\$9,479,493
Capital Assets, Net	17,598,766	17,908,768
<i>Total Assets</i>	<u>26,891,882</u>	<u>27,388,261</u>
<u>Liabilities:</u>		
Long-Term Liabilities	6,944,393	7,234,417
Other Liabilities	3,557,707	4,060,649
<i>Total Liabilities</i>	<u>10,502,100</u>	<u>11,295,066</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	11,263,099	11,231,212
Restricted	3,143,789	3,733,757
Unrestricted	1,982,894	1,128,226
<i>Total Net Assets</i>	<u>\$16,389,782</u>	<u>\$16,093,195</u>

Current and other assets decreased \$186,377 from fiscal year 2011 due to a decrease in property taxes receivable and intergovernmental receivable. Capital assets decreased by \$310,002 as a result of current depreciation.

Other liabilities decreased \$744,943 as a result of a decrease in accounts payable, accrued wages and benefits, contracts payable, retainage payable and deferred revenue. Long-term liabilities decreased \$290,024 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, 2012
(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 \$3,143,789 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 2012 and comparisons to fiscal year 2011. Net Assets for 2011 have been restated to properly reflect contracts and retainage payable in the prior period (see Note 3). Also, certain Operating Grants and Contributions have been reclassified to Unrestricted Grants and Entitlements for 2011 to be consistent with how 2012 amounts are reported.

Table 2
Net Assets at Year End

	<u>Governmental Activities</u>	
	2012	Restated 2011
<u>Receipts:</u>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$945,480	\$721,694
Operating Grants and Contributions	3,230,434	4,451,500
Capital Grants and Contributions	0	108,779
<i>General Revenues:</i>		
Property Taxes	2,440,025	2,476,740
Unrestricted Grants and Entitlements	7,942,808	7,579,199
Investment Earnings	2,848	9,065
Miscellaneous	110,327	106,694
<i>Total Revenues</i>	<u>14,671,922</u>	<u>15,453,671</u>

(Continued)

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)*

Table 2
Changes in Net Assets

	<u>2012</u>	<u>2011</u>
<u>Expenses:</u>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	5,471,927	7,067,033
Special	2,007,574	1,814,484
Vocational	171,629	90,259
Student Intervention Services	60,550	166,798
Other	54,400	0
<i>Support Services:</i>		
Pupils	351,584	317,219
Instructional Staff	734,817	1,181,261
Board of Education	69,367	61,755
Administration	1,356,577	1,269,973
Fiscal	363,824	360,663
Operation and Maintenance of Plant	1,317,943	1,377,926
Pupil Transportation	976,696	1,090,610
<i>Operation of Non-Instructional Services:</i>		
Food Service	653,386	729,112
Other	13,210	13,687
Extracurricular Activities	244,055	277,417
Interest and Fiscal Charges	299,107	314,644
Depreciation - Unallocated	228,689	385,837
<i>Total Disbursements</i>	<u>14,375,335</u>	<u>16,518,678</u>
<i>Change in Net Assets</i>	296,587	(1,065,007)
Net Assets-Beginning of Year	<u>16,093,195</u>	<u>17,158,202</u>
Net Assets-End of Year	<u><u>\$16,389,782</u></u>	<u><u>\$16,093,195</u></u>

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)*

The most significant program expenses for the District are Regular Instruction, Special Instruction, Administration, Operation and Maintenance of Plant, and Pupil Transportation. These programs account for 77.43 percent of the total governmental activities. Regular Instruction, which accounts for 38.06 percent of the total, represents costs associated with providing general educational services. Special Instruction, 13.97 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Administration, which represents 9.44 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 9.17 percent of the total, represents costs associated with the operating and maintaining the District's facilities. Pupil Transportation, which represents 6.79 percent of the total, represents costs associated with providing transportation services for students between home and school and to school activities.

As noted previously, the net assets for governmental activities increased \$296,587 or 1.84 percent. This is a change from last year when net assets decreased \$1,065,007 or 6.21 percent. Total revenues decreased \$781,749 or 5.06 percent from last year and expenses decreased \$2,143,343 or 12.98 percent from last year.

The decrease in total expenses for governmental activities was primarily due to a decrease in regular instruction.

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 92.78 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 16.63 percent and intergovernmental revenue made up 76.15 percent of the total revenue for the governmental activities in fiscal year 2012.

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.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)*

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 2012, the District received \$8,308,414 through the State's foundation program, which represents 56.63 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 54.02 percent of governmental activities program expenses. Support services expenses make up 35.97 percent of governmental activities expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2012 and comparisons to fiscal year 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Costs of services for 2011 have been restated to properly reflect prior period adjustment related to contracts and retainage payable (see Note 3). Also, certain net costs of services for 2011 have been reclassified to be consistent with how 2012 amounts are reported.

Table 3

Net Cost of Governmental Activities

	Total Cost of Services		Net Costs of Services	
	2012	Restated 2011	2012	Restated 2011
<i>Program Expenses:</i>				
Instruction	\$7,766,080	\$9,138,574	\$4,945,014	\$5,694,219
Support Services	5,170,808	5,659,407	4,510,881	4,530,700
Operation of Non-Instructional Services	666,596	742,799	30,995	117,167
Extracurricular Activities	244,055	277,417	184,735	194,138
Interest and Fiscal Charges	299,107	314,644	299,107	314,644
Depreciation - Unallocated	228,689	385,837	228,689	385,837
Total Expenses	<u>\$14,375,335</u>	<u>\$16,518,678</u>	<u>\$10,199,421</u>	<u>\$11,236,705</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 \$15,180,025 and expenditures and other financing uses of \$14,514,669.

Total governmental funds fund balance increased by \$665,356. The increase in fund balance for the year was most significant in the General Fund, an increase of \$499,432, primarily the result of revenues exceeding expenditures.

The District should remain stable in fiscal years 2013 and 2014. However, projections beyond fiscal year 2014 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, 2012

(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 2012, 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 \$11,524,036 representing an \$803,529 increase from the original budget estimate of \$10,720,507. The final budget reflected a 7.50 percent increase from the original budgeted amount. For the General Fund, the final budget basis expenditures were \$11,959,960 representing an increase of \$785,338 from the original budget expenditures of \$11,174,622. The final budget reflected a 7.03 percent increase from the original budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$26.9 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$9.3 million. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)*

Table 4

Capital Assets & Accumulated Depreciation at Year End

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<i>Nondepreciable Capital Assets:</i>		
Land	\$148,080	\$148,080
<i>Depreciable Capital Assets:</i>		
Land Improvements	1,954,284	1,889,107
Buildings and Improvements	22,518,179	22,504,279
Furniture, Fixtures and Equipment	866,679	848,854
Vehicles	<u>1,421,213</u>	<u>1,341,319</u>
<i>Total Capital Assets</i>	<u>26,908,435</u>	<u>26,731,639</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	(770,380)	(743,448)
Buildings and Improvements	(6,985,527)	(6,686,269)
Furniture, Fixtures and Equipment	(472,553)	(368,184)
Vehicles	<u>(1,081,209)</u>	<u>(1,024,970)</u>
<i>Total Accumulated Depreciation</i>	<u>(9,309,669)</u>	<u>(8,822,871)</u>
Capital Assets, Net	<u>\$17,598,766</u>	<u>\$17,908,768</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, 2012
(Unaudited)*

Debt Administration

At June 30, 2012, the District had \$5,610,000 in long-term general obligation debt and \$665,000 in lease-purchase agreement obligations. Table 5 summarizes the District's bonds and lease-purchase agreement obligations outstanding for fiscal year 2012 compared to fiscal year 2011.

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

<u>Purpose</u>	<u>2012</u>	<u>2011</u>
General Obligation Bonds	\$ 5,610,000	\$5,855,000
Lease-Purchase Agreements	665,000	759,000
Total	<u>\$6,275,000</u>	<u>\$6,614,000</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.

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

- **Elimination of Tangible Personal Property** – This is the tax paid by businesses based on the value of their inventory, equipment, and fixtures. This property value is taxed at the full inside and voted tax rate and is not subject to the inflationary controls of HB920 passed in 1976. The State is phasing out this tax by reducing the 2004 value by 25% each year beginning in 2007 and ending in 2012. Ohio school districts are to be "held harmless" by receiving state funds to off-set the amount lost due to the decrease in value. For Nelsonville-York this "hold harmless" clause was lost at the end of fiscal year 11.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

(Unaudited)

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

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

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

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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, 2012

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$5,943,713
Cash and Cash Equivalents in Segregated Accounts	11,852
Cash and Cash Equivalents Held for Escrow	179,700
Property Taxes Receivable	2,624,919
Accounts Receivable	3,016
Intergovernmental Receivable	504,283
Inventory Held for Resale	3,572
Materials and Supplies Inventory	1,348
<i>Restricted Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	20,713
Nondepreciable Capital Assets	148,080
Depreciable Capital Assets, Net	<u>17,450,686</u>
<i>Total Assets</i>	<u>26,891,882</u>
<u>Liabilities:</u>	
Accounts Payable	114,173
Accrued Wages and Benefits	1,177,097
Retainage Payable	11,852
Intergovernmental Payable	288,510
Accrued Interest Payable	28,109
Deferred Revenue	1,878,687
Matured Compensated Absences Payable	59,279
<i>Long-Term Liabilities:</i>	
Due within One Year	473,212
Due in More Than One Year	<u>6,471,181</u>
<i>Total Liabilities</i>	<u>10,502,100</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	11,263,099
<i>Restricted for:</i>	
Capital Outlay	1,112,260
Debt Service	1,544,836
Other Purposes	486,693
Unrestricted	<u>1,982,894</u>
<i>Total Net Assets</i>	<u><u>\$16,389,782</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, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for	Operating	
		Services and Sales	Grants and Contributions	
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$5,471,927	\$745,605	\$587,864	(\$4,138,458)
Special	2,007,574	731	1,432,648	(574,195)
Vocational	171,629	0	12,461	(159,168)
Student Intervention Services	60,550	0	41,757	(18,793)
Other	54,400	0	0	(54,400)
<i>Support Services:</i>				
Pupils	351,584	0	0	(351,584)
Instructional Staff	734,817	1,035	470,230	(263,552)
Board of Education	69,367	0	0	(69,367)
Administration	1,356,577	0	85,723	(1,270,854)
Fiscal	363,824	0	0	(363,824)
Operation and Maintenance of Plant	1,317,943	0	66,812	(1,251,131)
Pupil Transportation	976,696	0	36,127	(940,569)
<i>Operation of Non-Instructional Services:</i>				
Food Service	653,386	137,327	496,812	(19,247)
Other	13,210	1,462	0	(11,748)
Extracurricular Activities	244,055	59,320	0	(184,735)
Interest and Fiscal Charges	299,107	0	0	(299,107)
Depreciation - Unallocated	228,689	0	0	(228,689)
<i>Total Governmental Activities</i>	\$14,375,335	\$945,480	\$3,230,434	(10,199,421)
<u>General Revenues:</u>				
<i>Property Taxes Levied for:</i>				
General Purposes				1,875,946
Debt Service				530,156
Capital Outlay				33,923
Grants and Entitlements not Restricted to Specific Programs				7,942,808
Investment Earnings				2,848
Miscellaneous				110,327
<i>Total General Revenues</i>				10,496,008
Change in Net Assets				296,587
<i>Net Assets at Beginning of Year, As Restated</i>				16,093,195
<i>Net Assets at End of Year</i>				16,389,782

See accompanying notes to the basic financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2012*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash, Cash Equivalents, and Investments	\$3,016,952	\$1,409,679	\$1,517,082	\$5,943,713
Cash and Cash Equivalents in Segregated Accounts	0	0	11,852	11,852
Cash and Cash Equivalents Held in Escrow Accounts	179,700	0	0	179,700
Property Taxes Receivable	1,987,555	598,783	38,581	2,624,919
Materials and Supplies Inventory	1,348	0	0	1,348
Accounts Receivable	2,707	0	309	3,016
Intergovernmental Receivable	0	0	504,283	504,283
Interfund Receivable	8,735	0	0	8,735
Inventory Held for Resale	0	0	3,572	3,572
<u>Restricted Assets:</u>				
Equity in Pooled Cash, Cash Equivalents	20,713	0	0	20,713
<i>Total Assets</i>	<u>\$5,217,710</u>	<u>\$2,008,462</u>	<u>\$2,075,679</u>	<u>\$9,301,851</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$21,054	\$0	\$93,119	\$114,173
Accrued Wages and Benefits	895,458	0	281,639	1,177,097
Intergovernmental Payable	231,881	0	56,629	288,510
Retainage Payable	0	0	11,852	11,852
Interfund Payable	0	0	8,735	8,735
Deferred Revenue	1,823,648	552,047	172,636	2,548,331
Matured Compensated Absences Payable	59,279	0	0	59,279
<i>Total Liabilities</i>	<u>3,031,320</u>	<u>552,047</u>	<u>624,610</u>	<u>4,207,977</u>
<u>Fund Balances:</u>				
Nonspendable	1,348	0	0	1,348
Restricted	20,713	1,456,415	1,516,329	2,993,457
Assigned	59,108	0	0	59,108
Unassigned	2,105,221	0	(65,260)	2,039,961
<i>Total Fund Balances</i>	<u>2,186,390</u>	<u>1,456,415</u>	<u>1,451,069</u>	<u>5,093,874</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,217,710</u>	<u>\$2,008,462</u>	<u>\$2,075,679</u>	<u>\$9,301,851</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, 2012*

Total Governmental Fund Balances \$5,093,874

*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. 17,598,766

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	532,619	
Intergovernmental	137,025	
Total receivables that are not reported in the funds	669,644	669,644

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	(5,610,000)	
Premium on bonds issued	(60,666)	
Lease-Purchase agreements	(665,000)	
Accrued interest	(28,109)	
Compensated absences	(608,727)	
Total liabilities that are not reported in the funds	(6,972,502)	(6,972,502)

Net Assets of Governmental Activities \$16,389,782

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, 2012

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$1,830,489	\$520,156	\$33,144	\$2,383,789
Intergovernmental	8,834,428	74,995	2,671,448	11,580,871
Interest	2,230	0	618	2,848
Tuition and Fees	738,193	0	10,440	748,633
Extracurricular Activities	0	0	59,320	59,320
Gifts and Donations	0	0	200	200
Customer Sales and Services	0	0	137,327	137,327
Miscellaneous	67,697	0	42,630	110,327
<i>Total Revenues</i>	<u>11,473,037</u>	<u>595,151</u>	<u>2,955,127</u>	<u>15,023,315</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	4,827,301	0	534,796	5,362,097
Special	1,246,317	0	739,426	1,985,743
Vocational	171,409	0	0	171,409
Student Intervention Services	9,003	0	50,578	59,581
Other	537	0	53,863	54,400
<i>Support Services:</i>				
Pupils	330,391	0	0	330,391
Instructional Staff	231,929	0	488,876	720,805
Board of Education	69,367	0	0	69,367
Administration	1,217,483	0	133,673	1,351,156
Fiscal	347,645	12,249	4,427	364,321
Operation and Maintenance of Plant	1,193,262	0	156,419	1,349,681
Pupil Transportation	998,044	0	4,534	1,002,578
Operation of Non-Instructional Services	11,142	0	645,368	656,510
Extracurricular Activities	159,105	0	72,418	231,523
Capital Outlay	3,960	0	839	4,799
<i>Debt Service:</i>				
Principal Retirement	0	339,000	0	339,000
Interest and Fiscal Charges	0	304,598	0	304,598
<i>Total Expenditures</i>	<u>10,816,895</u>	<u>655,847</u>	<u>2,885,217</u>	<u>14,357,959</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>656,142</u>	<u>(60,696)</u>	<u>69,910</u>	<u>665,356</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	130,710	26,000	156,710
Transfers Out	(156,710)	0	0	(156,710)
<i>Total Other Financing Sources (Uses)</i>	<u>(156,710)</u>	<u>130,710</u>	<u>26,000</u>	<u>0</u>
<i>Net Changes in Fund Balances</i>	499,432	70,014	95,910	665,356
<i>Fund Balances at Beginning of Year, As Restated</i>	<u>1,686,958</u>	<u>1,386,401</u>	<u>1,355,159</u>	<u>4,428,518</u>
<i>Fund Balances at End of Year</i>	<u>\$2,186,390</u>	<u>\$1,456,415</u>	<u>\$1,451,069</u>	<u>\$5,093,874</u>

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, 2012*

Net Change in Fund Balances - Total Governmental Funds		\$665,356
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(310,002)
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	56,236	
Intergovernmental	(407,629)	
Total revenues not reported in the funds	(351,393)	(351,393)
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.		339,000
In the statement of activities, interest is accrued on outstanding bonds and leases, whereas in governmental funds, interest expenditures are reported when due.		
Interest	2,602	
Premium	2,889	
Total accrued interest and premiums	5,491	5,491
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		(51,865)
<i>Change in Net Assets of Governmental Activities</i>		\$296,587

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, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$1,838,907	\$1,885,272	\$1,885,272	\$0
Intergovernmental	8,296,000	8,834,428	8,834,428	0
Interest	6,200	2,230	2,230	0
Tuition and Fees	543,900	738,193	738,193	0
Gifts and Donations	5,000	0	0	0
Miscellaneous	30,500	63,913	63,913	0
<i>Total Revenues</i>	10,720,507	11,524,036	11,524,036	0
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	5,641,835	5,422,147	4,912,041	510,106
Special	873,096	1,303,996	1,265,120	38,876
Vocational	120,950	173,050	157,910	15,140
Student Intervention Services	0	21,600	20,926	674
<i>Support Services:</i>				
Pupils	342,580	380,580	339,708	40,872
Instructional Staff	259,161	355,165	263,539	91,626
Board of Education	8,810	96,010	69,193	26,817
Administration	1,145,883	1,221,505	1,184,669	36,836
Fiscal	364,985	389,785	336,189	53,596
Operation and Maintenance of Plant	1,227,546	1,353,046	1,220,219	132,827
Pupil Transportation	954,776	1,016,776	999,045	17,731
Central	1,200	1,200	0	1,200
Operation of Non-Instructional Services	14,300	9,300	3,694	5,606
Extracurricular Activities	208,000	203,000	158,015	44,985
Capital Outlay	11,500	12,800	3,960	8,840
<i>Total Expenditures</i>	11,174,622	11,959,960	10,934,228	1,025,732
<i>Excess of Revenues Over (Under) Expenditures</i>	(454,115)	(435,924)	589,808	1,025,732
<u>Other Financing Sources (Uses):</u>				
Proceeds from the Sale of Capital Assets	1,500	0	0	0
Advances In	5,000	0	0	0
Transfers Out	(260,000)	(168,850)	(156,710)	12,140
Advances Out	0	(5,000)	(5,000)	0
<i>Total Other Financing Sources (Uses)</i>	(253,500)	(173,850)	(161,710)	12,140
Change in Fund Balance	(707,615)	(609,774)	428,098	1,037,872
<i>Fund Balance at Beginning of Year</i>	2,670,533	2,670,533	2,670,533	0
Prior Year Encumbrances Appropriated	63,324	63,324	63,324	0
<i>Fund Balance at End of Year</i>	\$2,026,242	\$2,124,083	\$3,161,955	\$1,037,872

See accompanying notes to the basic financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
<u>Assets:</u>		
<i>Current Assets:</i>		
Equity in Pooled Cash, Cash Equivalents, and Investments	\$176,609	\$49,152
Accrued Interest Receivable	568	0
	<u> </u>	<u> </u>
<i>Total Assets</i>	177,177	49,152
	<u> </u>	<u> </u>
<u>Liabilities:</u>		
<i>Current Liabilities:</i>		
Accounts Payable	0	725
Due to Students	0	48,427
	<u> </u>	<u> </u>
<i>Total Liabilities</i>	0	49,152
	<u> </u>	<u> </u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	177,177	0
	<u> </u>	<u> </u>
<i>Total Net Assets</i>	\$177,177	\$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 Fund

For the Fiscal Year Ended June 30, 2012

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Gifts and Contributions	\$8,665
Interest	1,936
Miscellaneous	<u>150</u>
<i>Total Additions</i>	<u>10,751</u>
<u>Deductions:</u>	
Payments in Accordance with Trust Agreements	<u>9,410</u>
<i>Total Deductions</i>	<u>9,410</u>
<i>Change in Net Assets</i>	1,341
<i>Net Assets Beginning of Year</i>	<u>175,836</u>
<i>Net Assets End of Year</i>	<u><u>\$177,177</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, 2012*

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 62 non-certificated, 90 teaching personnel and 9 administrative employees providing education to approximately 1,265 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 19 and 20 to the basic financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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 accounting principles generally accepted in the United States of America (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 accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District 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, 2012*

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.

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.

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.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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.

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.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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

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, 2012, but which were levied to finance fiscal year 2013 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 2012.

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 2012.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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

F. Cash, Cash Equivalents and Investments

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 2012, the District's investments were limited to certificates of deposit with local institutions 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 2012. 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, 2012.

Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$2,230, which includes \$48 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. Commodities are presented at their entitlement value.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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. The District had no prepaids at June 30, 2012.

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, 2012, 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 17.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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

During fiscal year 2012, the District held monies for the renovation of school buildings. Retainage amounts at June 30, 2012 have been restricted and are presented as “Cash and Cash Equivalents in Segregated Accounts.” During fiscal year 2012, the District held monies for the 2006 Columbus Regional Airport Authority Capital Funding Revenue Bond (OASBO Expanded Asset Pooled Financing Program). Reserved amounts at June 30, 2012 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 thousand 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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-50 years
Buildings and Improvements	15-50 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	8 years

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. The District had \$8,735 in interfund receivable/payable at June 30, 2012. For detailed explanation of interfund receivables and payables see Note 16.

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, 2012*

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 and special termination of benefits 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 primarily balances in special revenue funds for classroom facilities maintenance and 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 \$3,143,789, none are restricted by enabling legislation.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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

O. Fund Balance Reserves

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the Board of Education – the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

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.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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

Q. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2012, the District implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions". The implementation of GASB Statement No. 57 and 64 had no effect on the prior period fund balances of the District.

Restatement of Prior Year's Fund Balance and Net Assets

A prior period adjustment was required in the following nonmajor governmental funds – Classroom Facilities and Building Funds to properly state contracts and retainage payable at June 30, 2011. This prior period adjustment had the following effect on the District's nonmajor governmental fund balance and net assets at June 30, 2011:

	Nonmajor Governmental Fund	Net Assets
Net Assets/Fund Balances at June 30, 2011, as previously reported	\$1,113,158	\$15,851,194
Adjustments:		
Contracts Payable	112,641	112,641
Retainage Payable	129,360	129,360
Net Assets/Fund Balances at June 30, 2011, restated	<u>\$1,355,159</u>	<u>\$16,093,195</u>

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 accounting principles generally accepted in the United States of America (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).

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING- (Continued)

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).
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	\$428,098
<i>Adjustments:</i>	
Revenue Accruals	(57,091)
Expenditure Accruals	317,018
Encumbrances	50,158
Other Sources (Uses)	(238,572)
Funds Budgeted Elsewhere	(179)
GAAP Basis	<u><u>\$499,432</u></u>

NOTE 5 - ACCOUNTABILITY

Fund balances at June 30, 2012 included the following individual fund deficits:

<i>Nonmajor Special Revenue Funds:</i>	
Food Service	\$38,319
Early Childhood Education Grant	16,124
Education Jobs	1,926
State Fiscal Stabilization Grant	553
Title II D	6,221
Preschool Grant	854
Improving Teacher Quality	946
Javits Grant	317

The deficit in each of these funds is the result of the application of accounting principles generally accepted in the United States of America 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.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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.

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);

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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

- (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;
- (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, 2012, the carrying amount of all the District deposits was \$971,407. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2012, the District's bank balance of \$973,227 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, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Less than one year</u>
STAROhio	\$5,410,332	\$5,410,332

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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. The District does not have a policy for interest rate risk.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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. Investments in STAR Ohio were rated 'AAAm' by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District does not have a policy for credit risk.

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 100% 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 beyond the requirements of State statute.

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 District fiscal year runs from July through June. First half of tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected 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.

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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 7 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2012. 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 \$163,907 for the General Fund, \$46,736 for the Bond Retirement Debt Service Fund and \$2,970 for the Classroom Facilities Maintenance Nonmajor Special Revenue Fund.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second - Half Collections		2012 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricualtural/Residential and Other Real Estate	\$72,342,780	88.09%	\$83,899,470	87.25%
Public Utility Personal	9,755,730	11.88%	12,239,390	12.73%
Tangible Personal Property	21,340	0.03%	21,340	0.02%
Total Assessed Value	<u>\$82,119,850</u>	<u>100.00%</u>	<u>\$96,160,200</u>	<u>100.00%</u>
Total rate per \$1,000 of assessed valuation	\$34.44		\$34.44	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, accounts, 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:

<i>Nonmajor Special Revenue Funds:</i>	
Education Jobs	\$99,254
Title VI-B	11,381
Title II-D	4,208
Title I	370,084
Pre School Grant	384
Improving Teacher Quality	12,635
Javits Grant	<u>6,337</u>
Total Intergovernmental Receivables	<u>\$504,283</u>

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 9 - CAPITAL ASSETS

Capital asset governmental activity for the fiscal year ended June 30, 2012 was as follows:

Asset Category	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
<u>Governmental Activities:</u>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$148,080	\$0	\$0	\$148,080
<i>Depreciable Capital Assets:</i>				
Land Improvements	1,889,107	65,177	0	1,954,284
Buildings and Improvements	22,504,279	13,900	0	22,518,179
Furniture, Fixtures and Equipment	848,854	24,000	(6,175)	866,679
Vehicles	1,341,319	79,894	0	1,421,213
Total Depreciable Capital Assets	26,583,559	182,971	(6,175)	26,760,355
Total Capital Assets	26,731,639	182,971	(6,175)	26,908,435
<i>Accumulated Depreciation:</i>				
Land Improvements	(743,448)	(26,932)	0	(770,380)
Buildings and Improvements	(6,686,269)	(299,258)	0	(6,985,527)
Furniture, Fixtures and Equipment	(368,184)	(110,544)	6,175	(472,553)
Vehicles	(1,024,970)	(56,239)	0	(1,081,209)
Total Accumulated Depreciation	(8,822,871)	(492,973)	6,175	(9,309,669)
Total Net Capital Assets	\$17,908,768	(\$310,002)	\$0	\$17,598,766

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

Governmental Activities:

Instruction:

Regular	\$124,904
Student Intervention Services	969

Support Services:

Instructional Staff	8,682
Administration	3,118
Operation and Maintenance of Plant	32,757
Pupil Transportation	53,631
Operation of Non-Instructional Services-Food Services	27,691
Extracurricular Activities	12,532
Unallocated Depreciation	<u>228,689</u>
Governmental Activities Depreciation Expense	<u><u>\$492,973</u></u>

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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 2012, the District contracted with Reed & Baur Ohio Casualty Insurance 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)	\$51,301,441
Automobile Liability (\$100 deductible):	
Per Person	1,000,000
Per Accident	1,000,000
Uninsured Motorists (\$100 deductible):	
Per Person	1,000,000
Per Accident	1,000,000
General Liability:	
Per Occurrence	2,000,000
Total Per Year	2,000,000
Public Official Bonds:	
Treasurer	100,000
Superintendent/Board President (each)	10,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2012, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 20). 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, 2012*

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, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by visiting the SERS website at www.ohsers.org under “Employer/Audit Resources”.

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. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate amount four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contributions to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$319,458, \$284,010, and \$245,869, respectively. The District has contributed 51.59 percent of the required contributions for fiscal year 2012 and 100 percent for fiscal year 2011 and 2010, respectively.

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 of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org under “Publications”.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$729,966, \$723,248, and \$667,820, respectively. The District has contributed 84.15 percent of the required contributions for fiscal year 2012 and 100 percent for fiscal year 2011 and 2010, respectively.

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, 2012, 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

School Employees Retirement System

Plan Description – The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, OH 43215-3746. It is also posted on the SERS Ohio website, www.ohsers.org under "Employers/Audit Resources".

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District’s contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$55,704, \$55,634 and \$51,371 respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District’s contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010 were \$17,226, \$16,119 and \$15,509 respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$56,151, \$78,574 and \$49,379, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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 70 days for certified employees, administrators and 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 19 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 2012 fiscal year were as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding at July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding at June 30, 2012</u>	<u>Amount Due In One Year</u>
General Obligation Bonds:							
Refunding Bonds	2006	3.00-5.25%	\$1,360,000	\$0	\$125,000	\$1,235,000	\$145,000
School Improvement Bonds	2006	3.00-5.25%	4,495,000	0	120,000	4,375,000	125,000
Premium on School Improvement Bonds		N/A	63,555	0	2,889	60,666	2,889
Total General Obligation Debt			<u>5,918,555</u>	<u>0</u>	<u>247,889</u>	<u>5,670,666</u>	<u>272,889</u>
Lease-Purchase Agreements		4.57-6.87%	759,000	0	94,000	665,000	98,000
Compensated Absences Payable		N/A	<u>556,862</u>	<u>158,747</u>	<u>106,882</u>	<u>608,727</u>	<u>102,323</u>
Total Long-Term Obligations			<u>\$7,234,417</u>	<u>\$158,747</u>	<u>\$448,771</u>	<u>\$6,944,393</u>	<u>\$473,212</u>

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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, 2012.

Lease Purchase Agreements –In September 2007, the Board of Education approved 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 2009 from the Debt Service 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 which is primarily the General Fund.

The District's voted legal debt margin was \$3,044,418 with an unvoted debt margin of \$96,160 at June 30, 2012.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire general obligation bonds at June 30, 2012, are as follows:

<u>Year Ending</u>	<u>2006 Refunding Bonds</u>		<u>2006 School Improvement Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	180,000	33,900	155,000	178,750
2017	190,000	26,000	150,000	172,288
2018-2022	410,000	21,875	870,000	737,687
2023-2027	0	0	1,105,000	493,634
2028-2032	0	0	1,385,000	218,821
2033	0	0	315,000	6,694
Total General Obligation Bonds	<u>\$1,235,000</u>	<u>\$228,800</u>	<u>\$4,375,000</u>	<u>\$2,383,511</u>

Principal and interest requirements to retire the lease-purchase agreements at June 30, 2012, are as follows:

<u>Year Ending June 30</u>	<u>Lease-Purchase Agreements</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$98,000	\$29,568
2014	103,000	24,744
2015	108,000	19,680
2016	113,000	14,376
2017	119,000	8,808
2018	124,000	2,976
Total	<u>\$665,000</u>	<u>\$100,152</u>

NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 15 – FUND BALANCES

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable:</i>				
Inventory	\$1,348	\$0	\$0	\$1,348
<i>Restricted:</i>				
Capital Improvements	20,713	0	0	20,713
<i>Special Revenues:</i>				
Athletics and Bands	0	0	29,863	29,863
Facilities Maintenance	0	0	275,067	275,067
Special Trust	0	0	12,011	12,011
Local Grants	0	0	54,269	54,269
State Grants	0	0	22,791	22,791
Federal Grants	0	0	10,068	10,068
Debt Service	0	1,456,415	0	1,456,415
Capital Projects	0	0	1,112,260	1,112,260
<i>Assigned:</i>				
<i>Encumbrances For:</i>				
Regular Instruction	6,785	0	0	6,785
Special Instruction	1,922	0	0	1,922
Vocational	122	0	0	122
Instructional Staff	2,286	0	0	2,286
Board of Education	1,478	0	0	1,478
Administration	10,378	0	0	10,378
Fiscal	299	0	0	299
Operation & Maintenance of Plant	13,933	0	0	13,933
Pupil Transportation	12,955	0	0	12,955
Public School Support	8,579	0	0	8,579
Uniform School Supplies	371	0	0	371
<i>Unassigned</i>	<u>2,105,221</u>	<u>0</u>	<u>(65,260)</u>	<u>2,039,961</u>
Total Fund Balances	<u><u>\$2,186,390</u></u>	<u><u>\$1,456,415</u></u>	<u><u>\$1,451,069</u></u>	<u><u>\$5,093,874</u></u>

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2012, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$8,735	\$0
<i>Nonmajor Special Revenue Funds:</i>		
Title I	0	8,735
Total	<u>\$8,735</u>	<u>\$8,735</u>

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the Statement of Net Assets.

During fiscal year ended June 30, 2012, the District's interfund transfers were as follows:

<u>Fund</u>	<u>Transfers To</u>	<u>Transfers From</u>
General Fund	\$0	\$156,710
Bond Retirement	130,710	0
<i>Nonmajor Funds:</i>		
Food Service	26,000	0
Total Nonmajor Funds	<u>26,000</u>	<u>0</u>
Total	<u>\$156,710</u>	<u>\$156,710</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.

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

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 17 - STATUTORY SET-ASIDES

State statute annually requires the District set-aside in the general fund an amount based on a statutory formula to acquire and construct capital improvements. Amounts not spent by fiscal 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 purpose in future fiscal years. Based on legislative changes, this is the only money still required to be set aside for this purpose.

	<u>Capital Improvements</u>
Set-Aside Reserve Balance June 30, 2011	\$28,884
Current Year Set-Aside Requirement	217,215
Current Year Offsets	0
Current Year Qualifying Disbursements	<u>(225,386)</u>
Total	<u>20,713</u>
Balance Carried Forward to Fiscal year 2013	<u>20,713</u>
Set-Aside Reserve Balance June 30, 2012	<u><u>\$20,713</u></u>

The District's qualifying disbursements were not sufficient to reduce the set-aside amounts below zero for capital improvements.

A schedule of the restricted assets at June 30, 2012 follows:

Amount restricted for capital improvements	<u><u>\$20,713</u></u>
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NELSONVILLE-YORK CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 18 – ENCUMBRANCE COMMITMENTS

At June 30, 2012, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Funds</u>	
General	\$52,971
 <u>Nonmajor Funds</u>	
OSFC Building Project	14,694
Other Local Grants	7,404
Classroom Facilities Maintenance	4,242
Athletics and Bands	2,518
Early Childhood Education Grant	2,706
OneNet Grant	3,543
Poverty Based Assistance	2,305
Education Jobs	4,213
Title II-D	6,220
Title I	91,451
<i>Total Nonmajor Funds</i>	<u>139,296</u>
 Total Encumbrances	 <u><u>\$192,267</u></u>

NOTE 19 - 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 2012, the District made no contributions to the Career Center. Financial information can be obtained from Tri-County Career Center, 15676 State Route 691, Nelsonville, Ohio 45764.

Southeastern Ohio Voluntary Education Cooperative

The District is a participant among a ten county consortium of school districts to operate the Southeastern Ohio Voluntary Education Cooperative (SEOVEC). The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member districts. SEOVEC is governed by a board of directors consisting of one representative from each of the participating districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The District paid \$29,555 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.

NELSONVILLE-YORK CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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 20 - 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 an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 21 - CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The District is involved in no pending litigation that would have a material effect on the financial condition of the District.

SUPPLEMENTARY DATA

**NELSONVILLE-YORK CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Grant Cluster:				
(C)(D) School Breakfast Program	10.553	2012	\$ 167,741	\$ 167,741
(D)(E) National School Lunch Program-Food Donations	10.555	2012	32,631	32,631
(C)(D) National School Lunch Program	10.555	2012	304,322	304,322
Total National School Lunch Program			<u>336,953</u>	<u>336,953</u>
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			<u>504,694</u>	<u>504,694</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant Cluster:				
(F) Title I Grants to Local Educational Agencies	84.010	2011	270,490	264,211
(F) Title I Grants to Local Educational Agencies	84.010	2012	661,232	669,127
Total Title I Grants to Local Educational Agencies			<u>931,722</u>	<u>933,338</u>
(F)(H) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	209,355	189,041
Total Title I Grant Cluster			<u>1,141,077</u>	<u>1,122,379</u>
Special Education Grant Cluster:				
(G)(I) Special Education_Grants to States	84.027	2011	(4,313)	687
(G)(I) Special Education_Grants to States	84.027	2012	247,481	246,665
Total Special Education Grants to States			<u>243,168</u>	<u>247,352</u>
(G) Special Education_Preschool Grants	84.173	2011	2,194	1,905
(G) Special Education_Preschool Grants	84.173	2012	2,005	2,005
Total Special Education Preschool Grants			<u>4,199</u>	<u>3,910</u>
(G) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	34,110	59,821
(G) ARRA - Special Education Preschool Grants, Recovery Act	84.392	2011	1,511	1,511
Total Special Education Grant Cluster			<u>282,988</u>	<u>312,594</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2011	1,449	1,382
Educational Technology State Grants	84.318	2011	1,400	565
Educational Technology State Grants	84.318	2012	1,521	1,521
Total Educational Technology State Grants			<u>2,921</u>	<u>2,086</u>
(I) Rural Education	84.358	2011	5,216	3,378
(I) Rural Education	84.358	2012	21,152	20,967
Total Rural Education			<u>26,368</u>	<u>24,345</u>
Improving Teacher Quality State Grants	84.367	2011	16,301	16,301
Improving Teacher Quality State Grants	84.367	2012	89,745	89,432
Total Improving Teacher Quality State Grants			<u>106,046</u>	<u>105,733</u>
Education Jobs Fund	84.410	2012	392,581	391,000
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395A	2012	1,050	1,050
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	-	86,415
Total U.S. Department of Education			<u>1,954,480</u>	<u>2,046,984</u>
Total Federal Financial Assistance			<u>\$ 2,459,174</u>	<u>\$ 2,551,678</u>

continued

**NELSONVILLE-YORK CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass-through numbers for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Title I Grant Cluster" in determining major programs
- (G) Included as part of "Special Education Grant Cluster" in determining major programs
- (H) \$1,846 was repaid to the Ohio Department of Education based on the expiration of period of availability.
- (I) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2012, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Special Education_Grants to States	84,027	2011	4,317	
Special Education_Grants to States	84,027	2012		4,317
Rural Education	84,358	2011	984	
Rural Education	84,358	2012		984
Totals			<u>\$ 5,301</u>	<u>\$ 5,301</u>



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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nelsonville-York City School District, Athens County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Nelsonville-York City School District's basic financial statements and have issued our report thereon dated February 5, 2013. We noted that the Nelsonville-York City School District restated nonmajor governmental fund balances and governmental activities net assets at July 1, 2011 to properly state contracts and retainage payable. 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 Nelsonville-York City 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 Nelsonville-York City School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Nelsonville-York City 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 and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the Nelsonville-York City School District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2012-NYCSD-001 described in the accompanying schedule of findings and questioned costs to be a material weakness.

Board of Education
Nelsonville-York City School District

Compliance and Other Matters

As part of reasonably assuring whether the Nelsonville-York City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 two instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2012-NYCSD-002 and 2012-NYCSD-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Nelsonville-York City School District's management in a separate letter dated February 5, 2013.

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

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



Julian & Grube, Inc.
February 5, 2013



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Nelsonville-York City 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 the Nelsonville-York City School District's major federal programs for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the Nelsonville-York City School District's major federal programs. The Nelsonville-York City 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 opine on the Nelsonville-York City School District's compliance based on our audit.

Our compliance audit followed 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 Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These 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 Nelsonville-York City School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Nelsonville-York City School District's compliance with these requirements.

As described in finding 2012-NYCSD-004 in the accompanying schedule of findings and questioned costs, the Nelsonville-York City School District did not comply with requirements regarding allowable and unallowable costs applicable to its Title I Grant Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the Nelsonville-York City School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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 fiscal year ended June 30, 2012.

Board of Education
Nelsonville-York City School District

Internal Control Over Compliance

The Nelsonville-York City School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Nelsonville-York City 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 Nelsonville-York City School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-NYCSD-004 to be a material weakness.

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

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



Julian & Grube, Inc.
February 5, 2013

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Qualified (Title I Grant Cluster) Unqualified (Education Jobs Fund)
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grant Cluster: Title I Grants to Local Educational Agencies - CFDA #84.010, ARRA-Title I Grants to Local Educational Agencies, Recovery Act - CFDA #84.389; and Education Jobs Fund - CFDA #84.410
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-NYCSD-001

Material Weakness - Financial Statement Presentation

Accurate financial reporting is an important part of the District’s overall purpose. Financial reporting requires internal controls in place to help ensure accuracy of reporting.

We identified misstatements in the financial statements for the fiscal year under audit that were not initially identified by the District’s internal controls. The audit adjustments were made to the District’s financial statements. A description of the adjustments follow:

An adjustment was necessary to increase beginning fund balance in the classroom facilities fund, a nonmajor governmental fund, by \$414,538 and decrease beginning fund balance of the building fund, a nonmajor governmental fund, by \$172,537 as a result of restating contracts payable and retainage payable at June 30, 2011. This also resulted in an increase to beginning net assets of \$242,001.

An adjustment was necessary to reclass expenditures in order to reverse a transfer recorded during the compilation process of the financial statements from the General fund to the Classroom Facilities fund, a nonmajor governmental fund, in the amount of \$243,572 and properly record regular instruction.

The presentation of materially correct financial statements and the related notes is the responsibility of management. Lack of a properly presented financial statement review process could inhibit its financial accountability to both the citizens and the Board, which they may use to facilitate District decisions.

We recommend that the District implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and notes.

Client Response: The District will adopt controls to promote the presentation of materially correct financial statements in the future.

Finding Number	2012-NYCSD-002
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Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the Treasurer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

The District had appropriations exceeding estimated resources throughout the year and at fiscal year-end. Thus, the District did not properly request amended certificates throughout the year or at fiscal year-end upon notice of increased or decreased resources in order to equal or exceed appropriations.

By not timely and properly modifying its certificate of estimated resources, the District is not informing its taxing authority of changes in revenues to properly assess the level of appropriations in relation to available resources.

We recommend that the District review its available resources versus its appropriations throughout the year and file amended certificates when necessary. This will facilitate the District’s appropriation process.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2012-NYCSD-002- (Continued)

Client Response: The District will review available resources versus appropriations throughout the year and file amended certificates as needed.

Finding Number	2012-NYCSD-003
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Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund shall not exceed estimated resources.

For the fiscal year ended June 30, 2012, the District had appropriations in excess of estimated resources in the following funds:

	Estimated Resources	Appropriations	Excess
<u>Nonmajor Fund:</u>			
Title I	\$ 1,024,435	\$ 1,177,820	\$ 153,385
IDEA Part-B	308,096	320,312	12,216

With appropriations exceeding estimated resources, the District is appropriating monies that are not in the treasury, in the process of collection, or have been certified with the County Auditor. Thus, over appropriating may lead to unnecessary expenditures and cause a deficit fund balance.

We recommend that the District comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The District will more closely monitor the budget and amend estimated resources and appropriations as needed.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2012-NYCS-004
CFDA Title and Number	Title I Grant Cluster: Title I Grants to Local Educational Agencies - CFDA #84.010; ARRA-Title I Grants to Local Educational Agencies, Recovery Act - CFDA #84.389
Federal Award Number/Year	2011
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness/Questioned Cost

2 C.F.R. 225 Appendix B Sections 1 through 43 provide principles to be applied in establishing the allowability or unallowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. A cost is allowable for Federal reimbursement only to the extent of benefits received by Federal awards and its conformance with the general policies and principles stated in Appendix A to this part. Failure to mention a particular item of cost in these sections is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment or standards provided for similar or related items of cost.

2 C.F.R. 225 Appendix A Section (C)(1)(a through j) provides that “to be allowable under Federal awards, cost must meet the following general criteria: be necessary and reasonable for the performance and administration of the Federal award; be allowable under 2 CFR 225; be authorized or not prohibited under State or local laws and regulations; conform to any limitations or exclusions set forth in these principles; be consistent with policies, regulations, and procedures for both Federal awards and other activities of the government entity; be accorded consistent treatment; be in accordance with generally accepted accounting principles except as provided in 2 CFR 225; not be included as a cost or used to meet cost sharing or matching requirements of other Federal awards except as provided by Federal law or regulation; be net of any applicable credits; be adequately documented.”

2 C.F.R. 225 Appendix A Section (C)(3)(a) provides a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

The District is required to identify all expenditures that are specifically for the performance of Federal Grant services and determine if the expenditure is allowable per 2 C.F.R. 225 Appendix A before expending money from a Federal grant. Failure to properly identify allowable costs to the grant program may lead to monies having to be paid back to the federal program and/or having monies withheld from the federal program in the future.

The District did not follow the above guidelines in the following instance:

- \$80,177 in direct costs were charged to the Title I Grant Cluster for the purchase of playground equipment.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - (Continued)

<u>CFDA(s)</u>	<u>Federal Program</u>	<u>Payroll Allocation</u>
<u>Questioned Costs:</u>		
84.010; 84.389	Title I Grant Cluster	\$ 80,177

We recommend that the District use Title I Grant Cluster money only for expenditures that are allowable.

Client Response and Corrective Action Plan: The District's management will monitor grant expenditures more closely in the future and establish procedures to ensure compliance with allowability for all federal expenditures per the grant requirement.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-NYCSD-001	<u>Material Weakness - Financial Statement Presentation</u> - Accurate financial reporting is an important part of the District's overall purpose. Financial reporting requires internal controls in place to help ensure accuracy of reporting. The District had various adjustments to their financial statements.	No	Repeated as finding 2012-NYCSD-001
2011-NYCSD-002	34 CFR 80.20(b)(7) requires procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursements by grantees and subgrantees must be followed whenever advance payment procedures are used. The District had State Fiscal Stabilization funds on hand at fiscal year end.	Yes	N/A



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
APRIL 16, 2013**