

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2016***

SANDI HURD, TREASURER



Dave Yost • Auditor of State

Board of Education
Nelsonville-York City School District
2 Buckeye Dr
Nelsonville, OH 45764

We have reviewed the *Independent Auditor's Report* of the Nelsonville-York City School District, Athens County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. 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

March 6, 2017

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

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	21
Statement of Fiduciary Net Position - Fiduciary Funds	22
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	23
Notes to the Basic Financial Statements.....	24 - 60
Required Supplementary Information:	
Schedule of the District’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio	62
State Teachers Retirement System (STRS) of Ohio	63
Schedule of District Contributions:	
School Employees Retirement System (SERS) of Ohio	64 - 65
State Teachers Retirement System (STRS) of Ohio	66 - 67
Notes to Required Supplementary Information	68
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	69
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	70 - 71
Independent Auditor’s Report on Compliance With Requirements Applicable to The Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	72 - 73
Schedule of Findings 2 <i>CFR</i> § 200.515	74

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nelsonville-York City School District, Athens County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Nelsonville-York City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Nelsonville-York City School District, Athens County, Ohio, as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the Nelsonville-York City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nelsonville-York City School District's internal control over financial reporting and compliance.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The management's discussion and analysis of the Nelsonville-York City School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- The District's net position of governmental activities increased \$139,384 which represents a 22.28% increase from 2015.
- General revenues accounted for \$11,985,164 in revenue or 77.60% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,460,248 or 22.40% of total revenues of \$15,445,412.
- The District had \$15,306,028 in expenses related to governmental activities; only \$3,460,248 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,985,164 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$13,053,278 in revenues and \$12,836,781 in expenditures and other financing uses. During fiscal year 2016, the general fund's fund balance increased \$216,497 from \$3,940,274 to \$4,156,771.
- The bond retirement fund had \$531,417 in revenues and other financing sources and \$670,404 in expenditures and other financing uses. During fiscal year 2016, the bond retirement fund's fund balance decreased \$138,987 from \$1,092,132 to \$953,145.

Using the Basic Financial Statements

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Reporting the District's Fiduciary Responsibilities

The District's fiduciary funds consist of a private purpose trust fund and an agency fund. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. Private purpose trust funds are held in a trustee capacity for individuals, private organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting. The fiduciary fund financial statements can be found on pages 22-23 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-60 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 62-68 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for June 30, 2016 and June 30, 2015.

	Net Position	
	Governmental Activities 2016	Governmental Activities 2015
<u>Assets</u>		
Current and other assets	\$ 9,714,361	\$ 9,210,141
Capital assets, net	<u>15,406,103</u>	<u>15,920,076</u>
Total assets	<u>25,120,464</u>	<u>25,130,217</u>
<u>Deferred outflows of resources</u>		
Unamortized deferred charges on debt refunding	125,220	138,436
Pensions	<u>1,991,225</u>	<u>1,135,304</u>
Total deferred outflows of resources	<u>2,116,445</u>	<u>1,273,740</u>
<u>Liabilities</u>		
Current liabilities	1,769,854	1,637,941
Long-term liabilities:		
Due within one year	614,686	621,530
Due in more than one year:		
Net pension liability	17,490,741	15,154,202
Other amounts	<u>4,843,410</u>	<u>5,287,017</u>
Total liabilities	<u>24,718,691</u>	<u>22,700,690</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for next fiscal year	1,913,507	1,591,569
Pensions	<u>1,090,849</u>	<u>2,737,220</u>
Total deferred inflows of resources	<u>3,004,356</u>	<u>4,328,789</u>
<u>Net position</u>		
Net investment in capital assets	10,547,523	10,547,125
Restricted	1,411,990	1,830,083
Unrestricted (deficit)	<u>(12,445,651)</u>	<u>(13,002,730)</u>
Total net position	<u>\$ (486,138)</u>	<u>\$ (625,522)</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$486,138.

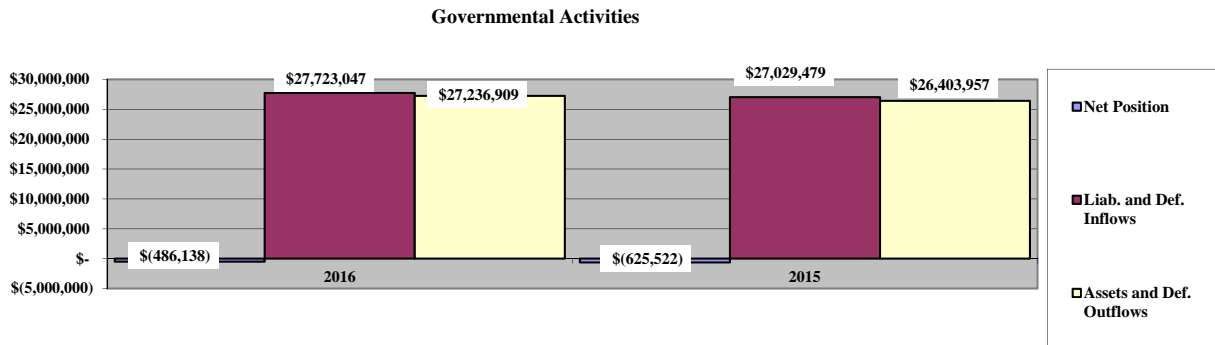
**NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

At year-end, capital assets represented 61.33% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2016, was \$10,547,523. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,411,990, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of \$12,445,651. The deficit balance in unrestricted net position was the result of reporting the net pension liability required by GASB 68.

The graph below illustrates the District's governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2016 and 2015.



The table below shows the changes in net position for governmental activities between 2016 and 2015.

Change in Net Position

	Governmental Activities 2016	Governmental Activities 2015
Revenues		
Program revenues:		
Charges for services and sales	\$ 864,342	\$ 647,400
Operating grants and contributions	2,595,906	2,716,467
General revenues:		
Property taxes	2,329,120	2,213,356
Grants and entitlements	9,604,297	8,915,924
Investment earnings	21,687	7,011
Other	30,060	21,950
Total revenues	15,445,412	14,522,108

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Change in Net Position (Continued)

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 6,851,420	\$ 6,330,657
Special	1,651,086	1,676,888
Vocational	175,566	162,020
Other	51,949	43,346
Support services:		
Pupil	525,852	481,158
Instructional staff	507,264	465,826
Board of education	45,443	48,577
Administration	1,321,021	1,275,445
Fiscal	335,764	337,471
Operations and maintenance	1,452,260	1,233,027
Pupil transportation	924,287	932,028
Operation of non-instructional services:		
Food service operations	716,890	624,465
Other non-instructional services	2,573	6,660
Extracurricular activities	286,397	294,775
Interest and fiscal charges	191,453	259,088
Depreciation - unallocated	<u>266,803</u>	<u>248,342</u>
Total expenses	<u>15,306,028</u>	<u>14,419,773</u>
Special item	<u>-</u>	<u>(485,454)</u>
Change in net position	139,384	(383,119)
Net position at beginning of year	<u>(625,522)</u>	<u>(242,403)</u>
Net position at end of year	<u>\$ (486,138)</u>	<u>\$ (625,522)</u>

Governmental Activities

Net position of the District's governmental activities increased \$139,384. Total governmental expenses of \$15,306,028 were offset by program revenues of \$3,460,248 and general revenues of \$11,985,164. Program revenues supported 22.61% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 77.26% of total governmental revenue.

The District's revenue increased approximately \$923,000 in fiscal year 2016. This was due to more State Foundation revenue for fiscal year 2016. Expenses increased approximately \$886,000 in fiscal year 2016.

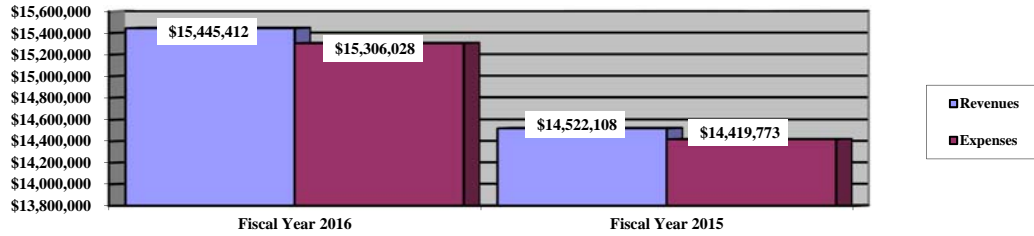
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,730,021 or 57.04% of total governmental expenses for fiscal year 2016.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Program expenses				
Instruction:				
Regular	\$ 6,851,420	\$ 5,756,365	\$ 6,330,657	\$ 5,406,687
Special	1,651,086	217,668	1,676,888	166,759
Vocational	175,566	152,690	162,020	139,646
Other	51,949	51,949	43,346	25,012
Support services:				
Pupil	525,852	525,852	481,158	481,158
Instructional staff	507,264	402,727	465,826	323,517
Board of education	45,443	45,443	48,577	48,577
Administration	1,321,021	1,213,634	1,275,445	1,188,023
Fiscal	335,764	335,764	337,471	337,471
Operations and maintenance	1,452,260	1,452,260	1,233,027	1,233,027
Pupil transportation	924,287	904,116	932,028	899,572
Operation of non-instructional services:				
Food service operations	716,890	128,530	624,465	96,694
Other non-instructional services	2,573	2,573	6,660	6,660
Extracurricular activities	286,397	197,953	294,775	195,673
Interest and fiscal charges	191,453	191,453	259,088	259,088
Depreciation - unallocated	266,803	266,803	248,342	248,342
Total expenses	<u>\$ 15,306,028</u>	<u>\$ 11,845,780</u>	<u>\$ 14,419,773</u>	<u>\$ 11,055,906</u>

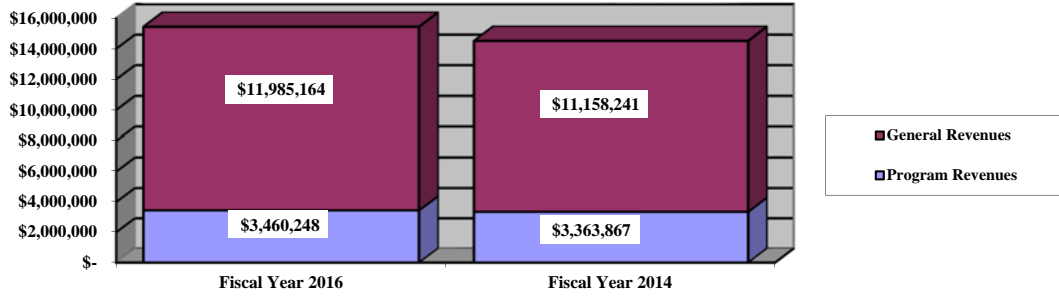
The dependence upon tax and other general revenues for governmental activities is apparent as 70.78% of instructional activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.39%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$5,380,561, which is less than last year's total of \$5,533,486. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance <u>June 30, 2016</u>	Fund Balance <u>June 30, 2015</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 4,156,771	\$ 3,940,274	\$ 216,497
Bond retirement	953,145	1,092,132	(138,987)
Other governmental	<u>270,645</u>	<u>501,080</u>	<u>(230,435)</u>
Total	<u>\$ 5,380,561</u>	<u>\$ 5,533,486</u>	<u>\$ (152,925)</u>
General Fund			

The District's general fund's fund balance increased \$216,497. The increase in fund balance can be attributed to increasing revenues exceeding increasing expenditures.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 1,870,236	\$ 2,051,093	(8.82) %
Tuition	617,698	430,988	43.32 %
Earnings on investments	21,633	6,586	228.47 %
Intergovernmental	10,506,777	9,806,219	7.14 %
Other revenues	<u>36,934</u>	<u>115,141</u>	(67.92) %
Total	<u>\$ 13,053,278</u>	<u>\$ 12,410,027</u>	5.18 %
<u>Expenditures</u>			
Instruction	\$ 7,517,734	\$ 6,922,441	8.60 %
Support services	4,748,820	4,580,053	3.68 %
Operation of non-instructional services	2,573	6,660	(61.37) %
Extracurricular activities	203,368	203,422	(0.03) %
Facilities acquisition and construction	<u>115,862</u>	<u>57,317</u>	102.14 %
Total	<u>\$ 12,588,357</u>	<u>\$ 11,769,893</u>	6.95 %

The most significant increase in revenue occurred in the intergovernmental category. This is due to the District receiving more in State Foundation revenue during fiscal year 2016. Tuition revenue increased due to an increase in open enrollment. All other revenues remained consistent with the prior year. Total revenue increased 5.18% from fiscal year 2015.

Expenditures increased 6.95% from fiscal year 2015. This was primarily due to wage and benefit increases and increased spending on capital items.

Bond Retirement Fund

The bond retirement fund had \$531,417 in revenues and other financing sources and \$670,404 in expenditures and other financing uses. During fiscal year 2016, the bond retirement fund's fund balance decreased \$138,987 from \$1,092,132 to \$953,145.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources were \$11,392,300 and final budgeted revenues and other financing sources were increased to \$13,215,435. Actual revenues and other financing sources for fiscal year 2016 was \$13,215,435. This represents no change from final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$12,753,761 were increased to \$13,601,636 in the final budget. The actual budget basis expenditures for fiscal year 2016 totaled \$13,078,584, which was \$523,052 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2016, the District had \$15,406,103 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2016 balances compared to 2015:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2016</u>	<u>2015</u>
Land	\$ 135,512	\$ 135,512
Construction in progress	82,600	428,591
Land improvements	761,605	805,222
Building and improvements	13,721,994	13,836,591
Furniture, fixtures and equipment	333,009	365,775
Vehicles	<u>371,383</u>	<u>348,385</u>
Total	<u>\$ 15,406,103</u>	<u>\$ 15,920,076</u>

Total additions during fiscal year 2016 were \$780,487. The total depreciation expense for fiscal year 2016 was \$804,639, and total disposals for fiscal year 2016 were \$1,327 (net of accumulated depreciation).

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

Debt Administration

At June 30, 2016, the District had \$4,600,357 in general obligation bonds and lease-purchase agreement outstanding. Of this total, \$494,000 is due within one year and \$4,106,357 is due in greater than one year. The following table summarizes the bonds and lease-purchase agreement outstanding.

Outstanding Debt, at Year End		
	Governmental Activities	Governmental Activities
	<u>2016</u>	<u>2015</u>
General obligation bonds	\$ 4,357,357	\$ 4,688,700
Lease purchase agreement	<u>243,000</u>	<u>356,000</u>
Total	<u>\$ 4,600,357</u>	<u>\$ 5,044,700</u>

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Current Financial Related Activities

State Budget:

The District is largely depending on state funding (nearly 75% of the District's general funds come from the State). State foundation is driven by student enrollment and local tax values. The District has maintained steady enrollment, which has helped to maintain steady revenues for the District. The District is a formula district, which means that they are neither on a guarantee – due to decreasing enrollment or capped – due to large growth.

Local Revenue:

Local taxes are a smaller component of the District's revenues (around 15%). As other areas of the State have seen decreases in their valuations, Nelsonville-York has been steady. The District did not see large increases in property values, while other areas were increasing rapidly, therefore, the District has been impacted less severely over the past several years in this area.

Staffing:

The Board has a contract in place with certified staff that will be in effect until August of 2017. The contract called for a 3% increase each year through fiscal year 2017. The Board also has a negotiated agreement in place with the classified staff that goes through August of 2017. The contract called for a 4% increase each year through fiscal year 2017. The Board extended similar increases to the other employees of the District that were not covered by either of these agreements.

Health Insurance:

Health insurance is a growing expense for all districts. The District participates in the Athens County School Health Insurance Consortium and has been able to take advantage of increased number of insureds to level out the increases in insurance. This past fiscal year (FY16) the Consortium had a 2% increase in insurance costs. The District will have to look to other ways to help maintain these costs, whether this be by increasing co-pays and deductibles, offering a high deductible plan, or to reduced future salary increases to pay for increased insurance costs.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 6,910,999
Receivables:	
Property taxes	2,431,680
Accrued interest	608
Intergovernmental	232,465
Prepayments	134,685
Materials and supplies inventory.	1,924
Inventory held for resale.	2,000
Capital assets:	
Nondepreciable capital assets	218,112
Depreciable capital assets, net.	15,187,991
Capital assets, net.	15,406,103
Total assets.	25,120,464
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	125,220
Pension - STRS	1,570,197
Pension - SERS	421,028
Total deferred outflows of resources	2,116,445
 Liabilities:	
Accounts payable.	54,143
Contracts payable.	103,100
Accrued wages and benefits payable	1,332,659
Intergovernmental payable	67,013
Pension and postemployment benefits payable.	195,338
Accrued interest payable	17,601
Long-term liabilities:	
Due within one year.	614,686
Due in more than one year:	
Net pension liability	17,490,741
Other amounts due in more than one year	4,843,410
Total liabilities	24,718,691
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	1,913,507
Pension - STRS.	990,372
Pension - SERS.	100,477
Total deferred inflows of resources	3,004,356
 Net position:	
Net investment in capital assets	10,547,523
Restricted for:	
Capital projects	23
Classroom facilities maintenance	386,798
Debt service.	929,384
Locally funded programs	43,318
State funded programs.	18,844
Federally funded programs	7,447
Student activities	12,332
Other purposes	13,844
Unrestricted (deficit)	(12,445,651)
Total net position.	\$ (486,138)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 6,851,420	\$ 632,448	\$ 462,607	\$ (5,756,365)
Special	1,651,086	18,031	1,415,387	(217,668)
Vocational	175,566	-	22,876	(152,690)
Other	51,949	-	-	(51,949)
Support services:				
Pupil	525,852	-	-	(525,852)
Instructional staff	507,264	2,908	101,629	(402,727)
Board of education	45,443	-	-	(45,443)
Administration	1,321,021	-	107,387	(1,213,634)
Fiscal	335,764	-	-	(335,764)
Operations and maintenance	1,452,260	-	-	(1,452,260)
Pupil transportation	924,287	-	20,171	(904,116)
Operation of non-instructional services:				
Food service operations	716,890	122,511	465,849	(128,530)
Other non-instructional services	2,573	-	-	(2,573)
Extracurricular activities	286,397	88,444	-	(197,953)
Interest and fiscal charges	191,453	-	-	(191,453)
Depreciation - unallocated	266,803	-	-	(266,803)
Total governmental activities	\$ 15,306,028	\$ 864,342	\$ 2,595,906	(11,845,780)
 General revenues:				
Property taxes levied for:				
General purposes				1,911,688
Debt service				382,694
Classroom facilities maintenance				34,738
Grants and entitlements not restricted				
to specific programs				9,604,297
Investment earnings				21,687
Miscellaneous				30,060
Total general revenues				11,985,164
 Change in net position				 139,384
Net position at beginning of year				(625,522)
 Net position at end of year				\$ (486,138)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 5,501,551	\$ 942,310	\$ 467,138	\$ 6,910,999
Receivables:				
Property taxes.	2,030,623	360,582	40,475	2,431,680
Accrued interest	-	-	608	608
Intergovernmental.	46,367	-	186,098	232,465
Prepayments.	134,685	-	-	134,685
Materials and supplies inventory.	1,924	-	-	1,924
Inventory held for resale.	-	-	2,000	2,000
Total assets	<u>\$ 7,715,150</u>	<u>\$ 1,302,892</u>	<u>\$ 696,319</u>	<u>\$ 9,714,361</u>
Liabilities:				
Accounts payable	\$ 36,696	\$ -	\$ 17,447	\$ 54,143
Contracts payable.	103,100	-	-	103,100
Accrued wages and benefits payable	1,182,816	-	149,843	1,332,659
Intergovernmental payable	49,051	-	17,962	67,013
Pension and postemployment benefits payable.	163,759	-	31,579	195,338
Total liabilities.	<u>1,535,422</u>	<u>-</u>	<u>216,831</u>	<u>1,752,253</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	1,602,793	278,550	32,164	1,913,507
Delinquent property tax revenue not available.	382,443	71,197	7,503	461,143
Intergovernmental revenue not available.	37,721	-	169,176	206,897
Total deferred inflows of resources	<u>2,022,957</u>	<u>349,747</u>	<u>208,843</u>	<u>2,581,547</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	1,924	-	-	1,924
Prepays.	134,685	-	-	134,685
Restricted:				
Debt service	-	953,145	-	953,145
Capital improvements	-	-	23	23
Classroom facilities maintenance	-	-	379,295	379,295
Extracurricular activities	-	-	12,332	12,332
Other purposes.	-	-	59,275	59,275
Committed:				
Capital improvements	71,470	-	-	71,470
Student and staff support	117,265	-	-	117,265
Assigned:				
Student instruction	104	-	-	104
Student and staff support.	55,545	-	-	55,545
Subsequent year's appropriations	408,810	-	-	408,810
Other purposes	1,908	-	-	1,908
Unassigned (deficit)	<u>3,365,060</u>	<u>-</u>	<u>(180,280)</u>	<u>3,184,780</u>
Total fund balances	<u>4,156,771</u>	<u>953,145</u>	<u>270,645</u>	<u>5,380,561</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,715,150</u>	<u>\$ 1,302,892</u>	<u>\$ 696,319</u>	<u>\$ 9,714,361</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$	5,380,561
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			15,406,103
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	461,143	
Intergovernmental receivable		206,897	
Total		<u>668,040</u>	668,040
Unamortized premiums on bonds issued are not recognized in the funds.			(357,700)
Unamortized amounts on refundings are not recognized in the funds.			125,220
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(17,601)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - pension		1,991,225	
Deferred inflows - pension		(1,090,849)	
Net pension liability		<u>(17,490,741)</u>	
Total			(16,590,365)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(4,357,357)	
Lease-purchase agreement		(243,000)	
Compensated absences		<u>(500,039)</u>	
Total			<u>(5,100,396)</u>
Net position of governmental activities		\$	<u>(486,138)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 1,870,236	\$ 354,577	\$ 34,136	\$ 2,258,949
Tuition.	617,698	-	26,414	644,112
Earnings on investments	21,633	-	702	22,335
Charges for services	-	-	120,762	120,762
Extracurricular.	-	-	70,439	70,439
Other local revenues	36,934	2,401	29,784	69,119
Intergovernmental - state	10,506,777	46,015	150,399	10,703,191
Intergovernmental - federal	-	-	1,319,136	1,319,136
Total revenues	<u>13,053,278</u>	<u>402,993</u>	<u>1,751,772</u>	<u>15,208,043</u>
Expenditures:				
Current:				
Instruction:				
Regular.	6,063,568	-	406,633	6,470,201
Special	1,225,562	-	437,251	1,662,813
Vocational	177,110	-	-	177,110
Other	51,494	-	-	51,494
Support services:				
Pupil	529,128	-	-	529,128
Instructional staff	429,009	-	100,431	529,440
Board of education	45,443	-	-	45,443
Administration	1,259,865	-	98,527	1,358,392
Fiscal	318,245	10,767	1,048	330,060
Operations and maintenance	1,220,019	-	206,077	1,426,096
Pupil transportation	947,111	-	225	947,336
Operation of non-instructional services:				
Food service operations.	-	-	710,229	710,229
Other non-instructional services.	2,573	-	-	2,573
Extracurricular activities.	203,368	-	81,883	285,251
Facilities acquisition and construction.	115,862	-	59,903	175,765
Debt service:				
Principal retirement.	-	488,000	-	488,000
Interest and fiscal charges	-	171,637	-	171,637
Total expenditures	<u>12,588,357</u>	<u>670,404</u>	<u>2,102,207</u>	<u>15,360,968</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>464,921</u>	<u>(267,411)</u>	<u>(350,435)</u>	<u>(152,925)</u>
Other financing sources (uses):				
Transfers in.	-	128,424	120,000	248,424
Transfers (out)	<u>(248,424)</u>	<u>-</u>	<u>-</u>	<u>(248,424)</u>
Total other financing sources (uses)	<u>(248,424)</u>	<u>128,424</u>	<u>120,000</u>	<u>-</u>
Net change in fund balances	216,497	(138,987)	(230,435)	(152,925)
Fund balances at beginning of year.	<u>3,940,274</u>	<u>1,092,132</u>	<u>501,080</u>	<u>5,533,486</u>
Fund balances at end of year.	<u>\$ 4,156,771</u>	<u>\$ 953,145</u>	<u>\$ 270,645</u>	<u>\$ 5,380,561</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds	\$	(152,925)
<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.		
Capital asset additions	\$ 291,993	
Current year depreciation	<u>(804,639)</u>	
Total		(512,646)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(1,327)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	70,171	
Intergovernmental	<u>167,198</u>	
Total		237,369
Repayment of bond and lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		488,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	3,188	
Accreted interest on capital appreciation bonds	(43,657)	
Amortization of bond premiums	33,869	
Amortization of deferred charges	<u>(13,216)</u>	
Total		(19,816)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,059,000
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(893,247)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(65,024)</u>
Change in net position of governmental activities	\$	<u>139,384</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 1,742,560	\$ 2,021,426	\$ 2,021,426	\$ -
Tuition.	532,483	617,698	617,698	-
Earnings on investments	18,650	21,633	21,633	-
Other local revenues	23,842	27,658	27,658	-
Intergovernmental - state	9,070,318	10,521,861	10,521,861	-
Total revenues	<u>11,387,853</u>	<u>13,210,276</u>	<u>13,210,276</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,844,417	6,045,917	5,988,189	57,728
Special.	1,244,290	1,214,940	1,212,849	2,091
Vocational.	195,425	188,425	176,638	11,787
Other.	12,500	37,000	30,581	6,419
Support services:				
Pupil.	543,440	543,440	526,918	16,522
Instructional staff	382,000	441,000	422,337	18,663
Board of education	57,435	58,410	42,513	15,897
Administration.	1,300,201	1,314,451	1,273,505	40,946
Fiscal	413,440	355,440	321,365	34,075
Operations and maintenance.	1,330,068	1,551,068	1,389,033	162,035
Pupil transportation	1,011,409	1,037,409	953,225	84,184
Other non-instructional services	15,636	15,636	4,946	10,690
Extracurricular activities.	196,000	234,000	212,074	21,926
Facilities acquisition and construction	27,500	315,500	275,987	39,513
Total expenditures	<u>12,573,761</u>	<u>13,352,636</u>	<u>12,830,160</u>	<u>522,476</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(1,185,908)</u>	<u>(142,360)</u>	<u>380,116</u>	<u>522,476</u>
Other financing sources (uses):				
Refund of prior year's expenditures	4,447	5,159	5,159	-
Transfers (out).	(180,000)	(249,000)	(248,424)	576
Total other financing sources (uses)	<u>(175,553)</u>	<u>(243,841)</u>	<u>(243,265)</u>	<u>576</u>
Net change in fund balance	(1,361,461)	(386,201)	136,851	523,052
Fund balance at beginning of year	4,988,068	4,988,068	4,988,068	-
Prior year encumbrances appropriated	22,200	22,200	22,200	-
Fund balance at end of year	<u>\$ 3,648,807</u>	<u>\$ 4,624,067</u>	<u>\$ 5,147,119</u>	<u>\$ 523,052</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 238,541	\$ 60,188
Receivables:		
Accrued interest.	190	-
Total assets.	238,731	\$ 60,188
Liabilities:		
Accounts payable.	-	\$ 498
Due to students.	-	59,690
Total liabilities	-	\$ 60,188
Net position:		
Held in trust for scholarships	238,731	
Total net position.	\$ 238,731	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 685
Gifts and contributions	13,600
Total additions	14,285
Deductions:	
Scholarships awarded	14,063
Change in net position	222
Net position at beginning of year.	238,509
Net position at end of year	\$ 238,731

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District's facilities are staffed by 58 classified employees and 91 certified employees who provide services to 1,270 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

Parent Teacher Organization
Athens-Meigs Educational Service Center
Booster Club

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

JOINTLY GOVERNED ORGANIZATIONS

Tri-County Career Center

The Tri-County Career Center (the "Career Center") is a jointly governed organization providing vocational services to its eight member districts, governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2016, 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.

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2016, the District paid META Solutions \$84,387 for services. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Athens County School Employees Health and Welfare Benefit Association

The District is a participant in a consortium of seven districts to operate the Athens County School Employees Health and Welfare Benefit Association (the "Association"). The Association was created to provide health care and dental benefits for the employees and eligible dependents of employees of participating districts. The Association has contracted with Anthem Insurance Company to be the health care provider for medical benefits as well as to provide aggregate and specific stop loss insurance coverage, and Coresource to provide administration for its dental benefits. The Association is governed by a board of directors consisting of one representative from each of the participating districts. Financial information for the Association can be obtained from the administrators at Combs & Associates, P.O. Box 98, Dola, Ohio 45835.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

GROUP PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's fiduciary funds are a private purpose trust fund held for scholarships and an agency fund which is used to account for student activities.

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

D. Basis of Accounting

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

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 12 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents unavailables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgets

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as original budgeted amounts reflect amounts on the certificate of estimated resources in effect when the permanent appropriations were passed. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during fiscal year 2016.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during fiscal year 2016.

F. Cash 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's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2016, investments were limited to nonnegotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2016.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$21,633 which includes \$5,179 assigned from other District funds.

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

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

G. Inventory

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

H. Capital Assets

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

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

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

I. Pensions

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

J. Compensated Absences

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Net Position

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

N. Estimates

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

O. Interfund Activity

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

P. Bond Premium and Discount/Deferred Charge on Refunding

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

For bond refundings resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow on the government-wide financial statements.

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

Q. Prepayments

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items in fiscal year 2016.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 40,062
Public school preschool	16,657
Title VI-B	9,633
Title I	103,068
Improving teacher quality	10,860

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

A. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$2,668,790, which is exclusive of STAR Ohio reported as an investment below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$243,239 of the District's bank balance of \$2,736,246 was exposed to custodial risk as discussed below, while \$2,493,007 was covered by the FDIC.

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

B. Investments

As of June 30, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ <u>4,540,938</u>	\$ <u>4,540,938</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk beyond the requirements of State statute.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
STAR Ohio	\$ <u>4,540,938</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,668,790
Investments	<u>4,540,938</u>
Total	<u>\$ 7,209,728</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,910,999
Private-purpose trust fund	238,541
Agency fund	<u>60,188</u>
Total	<u>\$ 7,209,728</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Bond retirement fund	\$ 128,424
Nonmajor governmental funds	<u>120,000</u>
Total	<u>\$ 248,424</u>

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

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Athens and Hocking Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$45,387 in the general fund, \$10,835 in the bond retirement fund and \$808 in the classroom facilities maintenance fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$196,577 in the general fund, \$25,270 in the bond retirement fund and \$3,503 in the classroom facilities maintenance fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 86,091,630	84.52	\$ 86,313,380	84.66
Public utility personal	<u>15,764,520</u>	<u>15.48</u>	<u>15,642,290</u>	<u>15.34</u>
Total	<u>\$ 101,856,150</u>	<u>100.00</u>	<u>\$ 101,955,670</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 30.80		\$ 32.99	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 consisted of property taxes, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 2,431,680
Intergovernmental	232,465
Accrued interest	<u>608</u>
Total	<u>\$ 2,664,753</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/16</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 135,512	\$ -	\$ -	\$ 135,512
Construction in progress	<u>428,591</u>	<u>142,503</u>	<u>(488,494)</u>	<u>82,600</u>
Total capital assets, not being depreciated	<u>564,103</u>	<u>142,503</u>	<u>(488,494)</u>	<u>218,112</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,814,227	44,604	-	1,858,831
Building and improvements	22,519,582	488,494	-	23,008,076
Furniture, fixtures and equipment	892,723	11,612	(49,882)	854,453
Vehicles	<u>1,589,575</u>	<u>93,274</u>	<u>-</u>	<u>1,682,849</u>
Total capital assets, being depreciated	<u>26,816,107</u>	<u>637,984</u>	<u>(49,882)</u>	<u>27,404,209</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,009,005)	(88,221)	-	(1,097,226)
Building and improvements	(8,682,991)	(603,091)	-	(9,286,082)
Furniture and equipment	(526,948)	(43,051)	48,555	(521,444)
Vehicles	<u>(1,241,190)</u>	<u>(70,276)</u>	<u>-</u>	<u>(1,311,466)</u>
Total accumulated depreciation	<u>(11,460,134)</u>	<u>(804,639)</u>	<u>48,555</u>	<u>(12,216,218)</u>
Governmental activities capital assets, net	<u>\$ 15,920,076</u>	<u>\$ (24,152)</u>	<u>\$ (489,821)</u>	<u>\$ 15,406,103</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 404,315
Other instruction	969

Support services:

Instructional staff	1,166
Administration	213
Operations and maintenance	38,511
Pupil transportation	70,749
Extracurricular activities	11,423
Food service operations	10,490
Unallocated depreciation	<u>266,803</u>
Total depreciation expense	<u>\$ 804,639</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2016, the following changes occurred in governmental activities long-term obligations:

	Issue Date	Interest Rate	Balance 06/30/15	Additions	Reductions	Balance 06/30/16	Amounts Due in One Year
Governmental activities:							
General obligation bonds:							
Refunding bonds	2006	3 - 5.25%	\$ 540,000	\$ -	\$ (185,000)	\$ 355,000	\$ 195,000
Refunding bonds:	2014	2 - 4%					
Current interest bonds			2,055,000	-	(35,000)	2,020,000	180,000
Capital appreciation bonds			35,000	-	-	35,000	-
Accreted interest			33,700	43,657	-	77,357	-
Refunding bonds:	2015	2 - 4%					
Current interest bonds			<u>2,025,000</u>	<u>-</u>	<u>(155,000)</u>	<u>1,870,000</u>	<u>-</u>
Total general obligation bonds			<u>4,688,700</u>	<u>43,657</u>	<u>(375,000)</u>	<u>4,357,357</u>	<u>375,000</u>
Other long-term obligations:							
Lease-purchase agreement		4.8%	356,000	-	(113,000)	243,000	119,000
Net pension liability			15,154,202	2,336,539	-	17,490,741	-
Compensated absences payable			<u>472,278</u>	<u>175,747</u>	<u>(147,986)</u>	<u>500,039</u>	<u>120,686</u>
Total governmental activities long-term liabilities			<u>\$ 20,671,180</u>	<u>\$ 2,555,943</u>	<u>\$ (635,986)</u>	22,591,137	<u>\$ 614,686</u>
Add: unamortized premium						<u>357,700</u>	
Total on statement of net position						<u>\$ 22,948,837</u>	

Compensated absences will be paid from the fund from which the employee is paid, which is primarily the general fund. The general obligation bonds and the lease-purchase agreement are paid from the bond retirement fund. See Note 12 for detail on the District's net pension liability.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Series 2006 school improvement and refunding general obligation bonds - On July 12, 2005, the District issued \$6,970,000 of general obligation bonds which included serial and term bonds in the amount of \$3,850,000 and \$3,120,000, respectively. The total production from the sale of the bonds (including bond premium of \$78,000) were used to (1) retire \$2,500,000 in previously issued bond anticipation notes issues for constructing school facilities, constructing additions to and renovating and improving existing school facilities, furnishing and equipping the same and landscaping and improving sites, (2) retire \$2,708,000 of previously issued bond anticipation notes issued to finance the local share portion of construction under the State of Ohio Classroom Facilities Assistance Program through the Ohio Facilities Construction Commission (formerly known as the Ohio School Facilities Commission), and (3) to advance refund \$1,840,000 of Series 1996 School Facilities and Construction Bonds. The interest rates on the serial bonds range between 3.00 - 5.25% with a final stated maturity of December 1, 2025. The interest rates on the term bonds range between 4.125 - 5.00% with a final stated maturity of December 1, 2032. The general obligation bonds are paid from the bond retirement fund.

A portion of the bond proceeds were used to advance refund \$1,840,000 of the Series 1996 School Facilities and Construction Bonds which had a stated maturity of December 1, 2018. Proceeds of \$1,949,570 (including premium and after underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent (Huntington National Bank, Cincinnati, Ohio) to provide for all future debt payments on the refunded Series 1996 general obligation bonds. As a result, \$1,840,000 of these bonds were considered defeased and the liability for the refunded portion of these bonds has been removed from the statement of net position. As of June 30, 2016, the balance of the refunded bonds is \$570,000.

On January 21, 2014, the District issued \$2,135,000 (series 2014 refunding general obligation bonds) to advance refund the callable portion of the bonds. The refunded portions of the series 2006 bonds included portions of the serial bonds and portions of the term bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

On January 15, 2015, the District issued \$2,025,000 (series 2015 refunding general obligation bonds) to advance refund the callable portion of the bonds. The refunded portions of the series 2006 bonds included portions of the serial bonds and portions of the term bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

Series 2014 refunding general obligation bonds - On January 21, 2014, the District issued general obligation bonds (series 2014 refunding bonds) to advance refund the callable portion of the series 2006 school improvement and refunding general obligation bonds. The issuance proceeds of \$2,370,316 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt and to pay the issuance costs of \$75,243. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The principal balance outstanding of the defeased bonds was \$2,140,000 at June 30, 2016.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The 2014 refunding issue is comprised of both current interest bonds, par value \$2,100,000, and capital appreciation bonds, par value \$35,000. The interest rate on the current interest bonds ranges from 2.00-4.00%. The capital appreciation bonds mature on December 1, 2017 (approximate initial offering yield to maturity 1.80%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$235,000. A total of \$77,357 in accreted interest on the capital appreciation bonds has been included on the statement of net position at June 30, 2016. The bonds will be retired through the bond retirement fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$155,073. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

Interest payments on the current interest bonds are due June 1 and December 1 each year. The final maturity stated on the issue is December 1, 2025.

Series 2015 refunding general obligation bonds - On January 15, 2015, the District issued general obligation bonds (series 2015 refunding bonds) to advance refund the callable portion of the series 2006 school improvement and refunding general obligation bonds. The issuance proceeds of \$2,204,504 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt and to pay the issuance costs of \$63,699. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The principal balance outstanding of the defeased bonds was \$2,095,000 at June 30, 2016.

At June 30, 2016, the refunding issue is comprised of current interest bonds, par value \$1,870,000. The interest rate on the current interest bonds ranges from 2.00-4.00%. The bonds will be retired through the bond retirement fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,979. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

Interest payments on the current interest bonds are due June 1 and December 1 each year. The final maturity stated on the issue is December 1, 2032.

Lease purchase agreement - In September 2007, the District entered into a \$1,011,000 lease purchase agreement at an interest rate of 4.80% through the OASBO pooled funding program to fund the local share of a project amendment under the construction project with the Ohio Facilities Construction Commission. The funds are to be repaid over a ten year period beginning in August 2008 from the bond retirement fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ended	2006 Refunding Bonds			2015 Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 195,000	\$ 12,875	\$ 207,875	\$ -	\$ 74,800	\$ 74,800
2018	160,000	4,000	164,000	-	74,800	74,800
2019	-	-	-	-	74,800	74,800
2020	-	-	-	-	74,800	74,800
2021	-	-	-	-	74,800	74,800
2022 - 2026	-	-	-	-	374,000	374,000
2027 - 2031	-	-	-	1,270,000	250,800	1,520,800
2032 - 2033	-	-	-	600,000	24,000	624,000
Total	<u>\$ 355,000</u>	<u>\$ 16,875</u>	<u>\$ 371,875</u>	<u>\$ 1,870,000</u>	<u>\$ 1,022,800</u>	<u>\$ 2,892,800</u>

Year Ended	2014 Refunding Bonds			2014 Refunding Bonds		
	Current Interest Bonds			Capital Appreciation Bonds		
Year Ended	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 180,000	\$ 56,725	\$ 236,725	\$ -	\$ -	\$ -
2018	-	54,925	54,925	35,000	200,000	235,000
2019	415,000	50,775	465,775	-	-	-
2020	190,000	44,250	234,250	-	-	-
2021	190,000	39,025	229,025	-	-	-
2022 - 2026	<u>1,045,000</u>	<u>97,062</u>	<u>1,142,062</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,020,000</u>	<u>\$ 342,762</u>	<u>\$ 2,362,762</u>	<u>\$ 35,000</u>	<u>\$ 200,000</u>	<u>\$ 235,000</u>

Year Ended	Lease Purchase Agreement		
	Principal	Interest	Total
2017	\$ 119,000	\$ 9,083	\$ 128,083
2018	<u>124,000</u>	<u>3,069</u>	<u>127,069</u>
Total	<u>\$ 243,000</u>	<u>\$ 12,152</u>	<u>\$ 255,152</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$5,849,155 (including available funds of \$953,145) and an unvoted debt margin of \$101,956.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent and Treasurer. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 320 days for certified employees and 328 days for classified employees. Upon retirement, payment is made for 25% of an employee's accumulated sick leave up to a maximum of 80 days for certified employees and 82 days for classified employees. Effective August 1, 2014, certified employees are guaranteed a payment for at least 20 days sick leave regardless of their accumulated sick leave balance. This will remain in effect until the 2016 - 2017 school year.

B. Insurance Benefits

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During fiscal year 2016, the District contracted with Ohio School Plan for various types of insurance as follows:

Coverage Type	Coverage Amount
Building and contents (\$1,000 deductible)	\$ 53,183,650
Automobile liability (\$100 deductible):	
Per person	4,000,000
Per accident	4,000,000
Uninsured motorists (\$100 deductible):	
Per person	1,000,000
Per accident	1,000,000
General liability:	
Per occurrence	4,000,000
Total per year	6,000,000
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 not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2016, the District participated in the Ohio School Board Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as 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 of CompManagement provides administrative, cost control and actuarial services to the Plan.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$288,207 for fiscal year 2016. Of this amount, \$35,486 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$770,793 for fiscal year 2016. Of this amount, \$127,904 is reported as pension and postemployment benefits payable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 3,412,857	\$ 14,077,884	\$ 17,490,741
Proportion of the net pension liability	0.05981070%	0.05093840%	
Pension expense	\$ 244,777	\$ 648,470	\$ 893,247

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 54,357	\$ 640,625	\$ 694,982
Changes in proportionate share	78,464	158,779	237,243
District contributions subsequent to the measurement date	<u>288,207</u>	<u>770,793</u>	<u>1,059,000</u>
Total deferred outflows of resources	<u>\$ 421,028</u>	<u>\$ 1,570,197</u>	<u>\$ 1,991,225</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 100,477</u>	<u>\$ 990,372</u>	<u>\$ 1,090,849</u>
Total deferred inflows of resources	<u>\$ 100,477</u>	<u>\$ 990,372</u>	<u>\$ 1,090,849</u>

\$1,059,000 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$ (12,081)	\$ (181,804)	\$ (193,885)
2018	(12,081)	(181,804)	(193,885)
2019	(12,084)	(181,803)	(193,887)
2020	<u>68,590</u>	<u>354,443</u>	<u>423,033</u>
Total	<u>\$ 32,344</u>	<u>\$ (190,968)</u>	<u>\$ (158,624)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
 Total	 <u><u>100.00 %</u></u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 4,732,406	\$ 3,412,857	\$ 2,301,687

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 19,555,243	\$ 14,077,884	\$ 9,445,960

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$31,947.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$31,947, \$44,055, and \$31,348, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$52,717, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While 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 is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 136,851
Net adjustment for revenue accruals	(166,273)
Net adjustment for expenditure accruals	(89,750)
Net adjustment for other sources/uses	(5,159)
Funds budgeted elsewhere	(4,289)
Adjustment for encumbrances	345,117
GAAP basis	\$ 216,497

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

NOTE 15 - SET-ASIDES

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 15 - SET-ASIDES - (Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	217,902
Current year qualifying expenditures	(500,998)
Current year offsets	<u>(87,631)</u>
Total	<u>\$ (370,727)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u><u>\$ -</u></u>

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 237,668
Other governmental	<u>179,161</u>
Total	<u>\$ 416,829</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.05981070%	0.05776500%	0.05776500%
District's proportionate share of the net pension liability	\$ 3,412,857	\$ 2,923,454	\$ 3,435,099
District's covered-employee payroll	\$ 1,800,615	\$ 1,678,543	\$ 1,619,595
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	212.10%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.05093840%	0.05028375%	0.05028375%
District's proportionate share of the net pension liability	\$ 14,077,884	\$ 12,230,748	\$ 14,569,187
District's covered-employee payroll	\$ 5,395,379	\$ 5,137,608	\$ 5,529,531
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	260.92%	238.06%	263.48%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 288,207	\$ 237,321	\$ 232,646	\$ 224,152	\$ 227,968
Contributions in relation to the contractually required contribution	<u>(288,207)</u>	<u>(237,321)</u>	<u>(232,646)</u>	<u>(224,152)</u>	<u>(227,968)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,058,621	\$ 1,800,615	\$ 1,678,543	\$ 1,619,595	\$ 1,694,929
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 229,505	\$ 247,916	\$ 190,451	\$ 184,172	\$ 185,573
<u>(229,505)</u>	<u>(247,916)</u>	<u>(190,451)</u>	<u>(184,172)</u>	<u>(185,573)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,825,815	\$ 1,830,990	\$ 1,935,478	\$ 1,875,479	\$ 1,737,575
12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 770,793	\$ 755,353	\$ 667,889	\$ 718,839	\$ 736,701
Contributions in relation to the contractually required contribution	<u>(770,793)</u>	<u>(755,353)</u>	<u>(667,889)</u>	<u>(718,839)</u>	<u>(736,701)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,505,664	\$ 5,395,379	\$ 5,137,608	\$ 5,529,531	\$ 5,666,931
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 739,552	\$ 667,820	\$ 674,812	\$ 697,178	\$ 696,481
<u>(739,552)</u>	<u>(667,820)</u>	<u>(674,812)</u>	<u>(697,178)</u>	<u>(696,481)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,688,862	\$ 5,137,077	\$ 5,190,862	\$ 5,362,908	\$ 5,357,546
13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

**NELSONVILLE-YORK CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(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	2016	\$ 137,937
(D)(E) National School Lunch Program-Food Donations	10.555	2016	37,613
(C)(D) National School Lunch Program	10.555	2016	283,890
Total National School Lunch Program			321,503
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			459,440
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies:			
Title I Grants to Local Educational Agencies	84.010	2015	17,368
Title I Grants to Local Educational Agencies	84.010	2016	507,961
Total Title I Grants to Local Educational Agencies			525,329
Special Education Grant Cluster:			
(F) Special Education_Grants to States	84.027	2015	19,684
(F) Special Education_Grants to States	84.027	2016	249,541
Total Special Education Grants to States			269,225
(F) Special Education_Preschool Grants	84.173	2016	4,724
Total Special Education Grant Cluster			273,949
Rural Education	84.358	2015	3,094
Rural Education	84.358	2016	18,196
Total Rural Education			21,290
Improving Teacher Quality State Grants	84.367	2015	14,613
Improving Teacher Quality State Grants	84.367	2016	77,379
Total Improving Teacher Quality State Grants			91,992
Total U.S. Department of Education			912,560
Total Federal Financial Assistance			\$ 1,372,000

NOTES TO THE EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the Nelsonville-York City School District under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Nelsonville-York City School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Nelsonville-York City School District.
- (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 "Special Education Grant Cluster" in determining major programs.
- (G) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. Nelsonville-York City School District has not elected to use the 10% de minimus indirect cost rate.



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nelsonville-York City School District, Athens County, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Nelsonville-York City School District's basic financial statements and have issued our report thereon dated December 21, 2016.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Nelsonville-York City School District

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
December 21, 2016



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**Independent Auditor's Report on Compliance With Requirements Applicable to The
Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

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

To the Board of Education:

Reporting on Compliance for the Major Federal Program

We have audited the Nelsonville-York City School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Nelsonville-York City School District's major federal program for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Nelsonville-York City School District's major federal program.

Management's Responsibility

The Nelsonville-York City School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Nelsonville-York City School District's compliance for the Nelsonville-York City School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Nelsonville-York City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of Education
Nelsonville-York City School District

Opinion on the Major Federal Program

In our opinion, the Nelsonville-York City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 21, 2016

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR §200.516(a)?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

NELSONVILLE-YORK CITY SCHOOL DISTRICT

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 16, 2017**