

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2017***

SANDI HURD, TREASURER



Dave Yost • Auditor of State

Board of Education
Nelsonville-York City School District
2 Buckeye Drive
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, 2016 through June 30, 2017. 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

December 22, 2017

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

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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, 2017, and the related notes to the financial statements, which collectively comprise the Nelsonville-York City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nelsonville-York City School District, Athens County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 and Other Information

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

The Schedule of 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 November 8, 2017, on our consideration of the Nelsonville-York City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nelsonville-York City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
November 8, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017. 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 2017 are as follows:

- The District's net position of governmental activities decreased \$180,541 which represents a 37.14% decrease from 2016.
- General revenues accounted for \$12,550,038 in revenue or 77.00% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,748,820 or 23.00% of total revenues of \$16,298,858.
- The District had \$16,479,399 in expenses related to governmental activities; only \$3,748,820 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 \$12,550,038 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$13,942,685 in revenues and other financing sources and \$13,682,245 in expenditures and other financing uses. During fiscal year 2017, the general fund's fund balance increased \$260,440 from \$4,156,771 to \$4,417,211.
- The bond retirement fund had \$637,077 in revenues and other financing sources and \$662,470 in expenditures. During fiscal year 2017, the bond retirement fund's fund balance decreased \$25,393 from \$953,145 to \$927,752.

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, 2017**

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 2017?" 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, 2017**

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, 2017**

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, 2017 and June 30, 2016.

	Net Position	
	Governmental Activities 2017	Governmental Activities 2016
<u>Assets</u>		
Current and other assets	\$ 9,728,659	\$ 9,714,361
Capital assets, net	<u>15,598,780</u>	<u>15,406,103</u>
Total assets	<u>25,327,439</u>	<u>25,120,464</u>
<u>Deferred outflows of resources</u>		
Unamortized deferred charges on debt refunding	112,005	125,220
Pensions	<u>4,542,499</u>	<u>1,991,225</u>
Total deferred outflows of resources	<u>4,654,504</u>	<u>2,116,445</u>
<u>Liabilities</u>		
Current liabilities	1,686,705	1,769,854
Long-term liabilities:		
Due within one year	604,239	614,686
Due in more than one year:		
Net pension liability	22,010,322	17,490,741
Other amounts	<u>4,436,376</u>	<u>4,843,410</u>
Total liabilities	<u>28,737,642</u>	<u>24,718,691</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for next fiscal year	1,910,980	1,913,507
Pensions	<u>-</u>	<u>1,090,849</u>
Total deferred inflows of resources	<u>1,910,980</u>	<u>3,004,356</u>
<u>Net position</u>		
Net investment in capital assets	11,357,954	10,547,523
Restricted	1,213,546	1,411,990
Unrestricted (deficit)	<u>(13,238,179)</u>	<u>(12,445,651)</u>
Total net position	<u>\$ (666,679)</u>	<u>\$ (486,138)</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, 2017**

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, 2017, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$666,679.

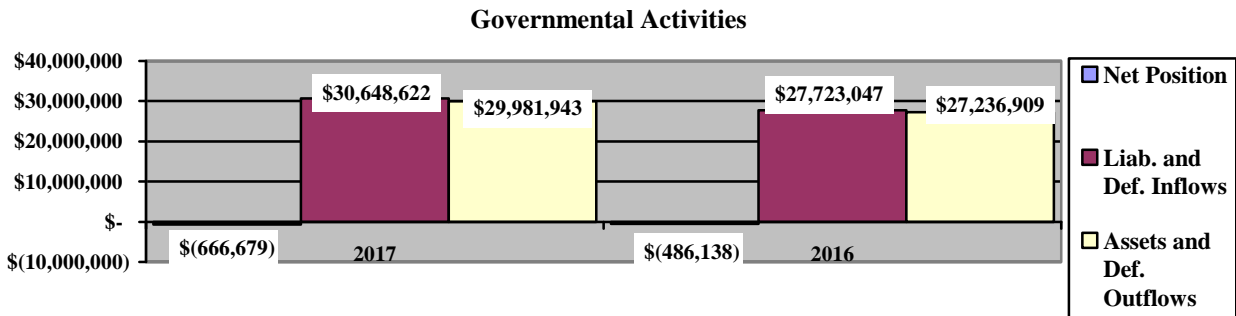
**NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

At year-end, capital assets represented 61.59% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2017, was \$11,357,954. 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, \$1,213,546, 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 \$13,238,179. 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, 2017 and 2016.



The table below shows the changes in net position for governmental activities between 2017 and 2016.

Change in Net Position

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 919,085	\$ 864,342
Operating grants and contributions	2,829,735	2,595,906
General revenues:		
Property taxes	2,649,582	2,329,120
Grants and entitlements	9,769,333	9,604,297
Investment earnings	47,959	21,687
Other	83,164	30,060
Total revenues	<u>16,298,858</u>	<u>15,445,412</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Change in Net Position (Continued)

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,481,386	\$ 6,851,420
Special	2,213,291	1,651,086
Vocational	275,666	175,566
Other	44,506	51,949
Support services:		
Pupil	586,920	525,852
Instructional staff	464,079	507,264
Board of education	47,720	45,443
Administration	1,286,713	1,321,021
Fiscal	398,109	335,764
Operations and maintenance	1,067,261	1,452,260
Pupil transportation	1,042,049	924,287
Operation of non-instructional services:		
Food service operations	752,318	716,890
Other non-instructional services	9,471	2,573
Extracurricular activities	325,626	286,397
Interest and fiscal charges	200,953	191,453
Depreciation - unallocated	<u>283,331</u>	<u>266,803</u>
Total expenses	<u>16,479,399</u>	<u>15,306,028</u>
Change in net position	(180,541)	139,384
Net position at beginning of year	<u>(486,138)</u>	<u>(625,522)</u>
Net position at end of year	<u>\$ (666,679)</u>	<u>\$ (486,138)</u>

Governmental Activities

Net position of the District's governmental activities decreased \$180,541. Total governmental expenses of \$16,479,399 were offset by program revenues of \$3,748,820 and general revenues of \$12,550,038. Program revenues supported 22.75% 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 76.20% of total governmental revenue.

The District's revenue increased approximately \$853,000 in fiscal year 2017. This was due to increased property tax revenues and an increase in operating grants and contributions. Expenses increased \$1,173,371 in fiscal year 2017. This was mostly due to an increase in the net pension liability.

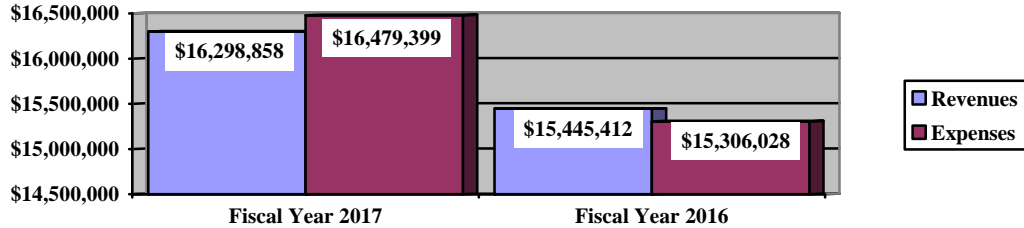
The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,014,849 or 60.77% of total governmental expenses for fiscal year 2017.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2017 and 2016.

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 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program expenses				
Instruction:				
Regular	\$ 7,481,386	\$ 6,346,766	\$ 6,851,420	\$ 5,756,365
Special	2,213,291	592,765	1,651,086	217,668
Vocational	275,666	189,621	175,566	152,690
Other	44,506	44,506	51,949	51,949
Support services:				
Pupil	586,920	586,920	525,852	525,852
Instructional staff	464,079	398,632	507,264	402,727
Board of education	47,720	47,720	45,443	45,443
Administration	1,286,713	1,179,268	1,321,021	1,213,634
Fiscal	398,109	398,109	335,764	335,764
Operations and maintenance	1,067,261	1,067,261	1,452,260	1,452,260
Pupil transportation	1,042,049	1,018,005	924,287	904,116
Operation of non-instructional services:				
Food service operations	752,318	142,528	716,890	128,530
Other non-instructional services	9,471	9,471	2,573	2,573
Extracurricular activities	325,626	224,723	286,397	197,953
Interest and fiscal charges	200,953	200,953	191,453	191,453
Depreciation - unallocated	283,331	283,331	266,803	266,803
Total expenses	<u>\$ 16,479,399</u>	<u>\$ 12,730,579</u>	<u>\$ 15,306,028</u>	<u>\$ 11,845,780</u>

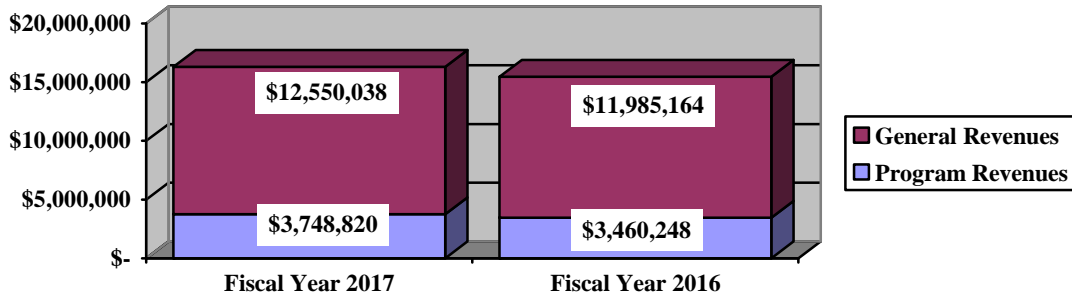
The dependence upon tax and other general revenues for governmental activities is apparent as 71.63% of instructional activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.25%. The District's taxpayers and unrestricted grants 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, 2017

The graph below presents the District's governmental activities revenue for fiscal years 2017 and 2016.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$5,623,969, which is less than last year's total of \$5,380,561. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 4,417,211	\$ 4,156,771	\$ 260,440
Bond retirement	927,752	953,145	(25,393)
Other governmental	<u>279,006</u>	<u>270,645</u>	<u>8,361</u>
Total	<u>\$ 5,623,969</u>	<u>\$ 5,380,561</u>	<u>\$ 243,408</u>

General Fund

The District's general fund's fund balance increased \$260,440. 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, 2017**

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 2,227,084	\$ 1,870,236	19.08 %
Tuition	672,417	617,698	8.86 %
Earnings on investments	45,798	21,633	111.70 %
Intergovernmental	10,771,826	10,506,777	2.52 %
Other revenues	<u>94,079</u>	<u>36,934</u>	154.72 %
Total	<u>\$ 13,811,204</u>	<u>\$ 13,053,278</u>	5.81 %
<u>Expenditures</u>			
Instruction	\$ 8,038,042	\$ 7,517,734	6.92 %
Support services	4,741,646	4,748,820	(0.15) %
Operation of non-instructional services	9,471	2,573	268.09 %
Extracurricular activities	194,803	203,368	(4.21) %
Facilities acquisition and construction	362,179	115,862	212.60 %
Debt service	<u>87,654</u>	<u>-</u>	100.00 %
Total	<u>\$ 13,433,795</u>	<u>\$ 12,588,357</u>	6.72 %

The most significant increase in revenue occurred in the taxes category. This is due to the District having more property tax advances available at June 30, 2017 than in the prior year. Tuition revenue increased due to an increase in open enrollment. All other revenues remained consistent with the prior year. Total revenue increased 5.81% from fiscal year 2017.

Expenditures increased 6.72% from fiscal year 2016. This was primarily due to wage and benefit increases and increased spending on capital items.

Bond Retirement Fund

The bond retirement fund had \$637,077 in revenues and other financing sources and \$662,470 in expenditures. During fiscal year 2017, the bond retirement fund's fund balance decreased \$25,393 from \$953,145 to \$927,752.

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 2017, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources were \$13,268,503 and final budgeted revenues and other financing sources were increased to \$13,700,867. Actual revenues and other financing sources for fiscal year 2017 was \$13,700,867. This represents no change from final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$14,022,427 were increased to \$14,267,400 in the final budget. The actual budget basis expenditures for fiscal year 2017 totaled \$13,767,291, which was \$500,109 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, 2017

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2017, the District had \$15,598,780 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 2017 balances compared to 2016:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2017</u>	<u>2016</u>
Land	\$ 135,512	\$ 135,512
Construction in progress	-	82,600
Land improvements	872,913	761,605
Building and improvements	13,846,056	13,721,994
Furniture, fixtures and equipment	348,669	333,009
Vehicles	<u>395,630</u>	<u>371,383</u>
Total	<u>\$ 15,598,780</u>	<u>\$ 15,406,103</u>

Total additions during fiscal year 2017 were \$1,063,905. The total depreciation expense for fiscal year 2017 was \$871,228, and the District had no disposals for fiscal year 2017 (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, 2017, the District had \$4,221,585 in general obligation bonds, capital leases and lease-purchase agreement outstanding. Of this total, \$511,585 is due within one year and \$3,710,000 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 <u>2017</u>	Governmental Activities <u>2016</u>
General obligation bonds	\$ 4,053,758	\$ 4,357,357
Lease purchase agreement	124,000	243,000
Capital lease	<u>43,827</u>	<u>-</u>
Total	<u>\$ 4,221,585</u>	<u>\$ 4,600,357</u>

See Note 10 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, 2017**

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 by comparing the district's property wealth, and income wealth of residents to other districts in the state. The District is currently experiencing a decrease in enrollment. The district anticipates being a "guarantee" district for at least FY18. Prior to FY18 Nelsonville-York has been a formula district. A district is a "formula" district if they are being funded based on current student counts, a district is a "guarantee" district if they are being funded based on their student count from a prior fiscal year, and a "capped" district is a district who is experiencing ADM growth but is being limited by the state 3% cap. Nelsonville-York does receive a significant amount of funding in "capacity aid." In fiscal year 17 this was in excess of \$1,000,000. Capacity aid compares a districts ability to raise local funds by comparing our property valuation per pupil to other districts. This ranks us and assigns us an index.

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 2020. The contract calls for a 2% increase each year through fiscal year 2020. The Board's negotiated agreement with the classified staff expired in August 2017. The board is still in negotiations with the classified staff to reach a new agreement. The Board has historically extended similar increases to the other employees of the District that were not covered by 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 (FY17) the Consortium had a 10% increase in insurance costs. The consortium had a 0% increase in premiums for FY18. The district did negotiate to include the option of a High Deductible Health Care Plan in the teachers' contract. The District continues to look to other ways to help maintain these costs, whether this be by negotiating increases in co-pays and deductibles, or reducing 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, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 6,849,552
Receivables:	
Property taxes	2,498,749
Accounts.	2,620
Accrued interest	2,936
Intergovernmental	323,399
Prepayments	46,122
Materials and supplies inventory.	3,281
Inventory held for resale.	2,000
Capital assets:	
Nondepreciable capital assets	135,512
Depreciable capital assets, net.	15,463,268
Capital assets, net.	15,598,780
Total assets.	25,327,439
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	112,005
Pension - STRS	3,324,274
Pension - SERS	1,218,225
Total deferred outflows of resources	4,654,504
 Liabilities:	
Accounts payable.	82,722
Accrued wages and benefits payable	1,268,948
Intergovernmental payable	124,546
Pension and postemployment benefits payable.	196,532
Accrued interest payable	13,957
Long-term liabilities:	
Due within one year.	604,239
Due in more than one year:	
Net pension liability	22,010,322
Other amounts due in more than one year	4,436,376
Total liabilities	28,737,642
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	1,910,980
Total deferred inflows of resources	1,910,980
 Net position:	
Net investment in capital assets	11,357,954
Restricted for:	
Capital projects	23
Classroom facilities maintenance	218,377
Debt service.	829,419
Locally funded programs	31,997
State funded programs.	26,935
Federally funded programs	58,336
Student activities	17,966
Other purposes	30,493
Unrestricted (deficit)	(13,238,179)
Total net position.	\$ (666,679)

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, 2017

	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	\$ 7,481,386	\$ 617,028	\$ 517,592	\$ (6,346,766)
Special	2,213,291	72,945	1,547,581	(592,765)
Vocational	275,666	-	86,045	(189,621)
Other	44,506	-	-	(44,506)
Support services:				
Pupil	586,920	-	-	(586,920)
Instructional staff	464,079	5	65,442	(398,632)
Board of education	47,720	-	-	(47,720)
Administration	1,286,713	-	107,445	(1,179,268)
Fiscal	398,109	-	-	(398,109)
Operations and maintenance	1,067,261	-	-	(1,067,261)
Pupil transportation	1,042,049	-	24,044	(1,018,005)
Operation of non-instructional services:				
Food service operations	752,318	128,485	481,305	(142,528)
Other non-instructional services	9,471	-	-	(9,471)
Extracurricular activities	325,626	100,622	281	(224,723)
Interest and fiscal charges	200,953	-	-	(200,953)
Depreciation - unallocated	283,331	-	-	(283,331)
Total governmental activities	\$ 16,479,399	\$ 919,085	\$ 2,829,735	(12,730,579)
General revenues:				
Property taxes levied for:				
				2,163,692
General purposes				446,513
Debt service				39,377
Classroom facilities maintenance				
Grants and entitlements not restricted				
to specific programs				9,769,333
Investment earnings				47,959
Miscellaneous				83,164
Total general revenues				12,550,038
Change in net position				(180,541)
Net position at beginning of year				(486,138)
Net position at end of year				\$ (666,679)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<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.	\$ 5,647,460	\$ 894,999	\$ 307,093	\$ 6,849,552
Receivables:				
Property taxes.	2,046,973	408,983	42,793	2,498,749
Accounts	-	-	2,620	2,620
Accrued interest	2,308	-	628	2,936
Intergovernmental.	75,192	-	248,207	323,399
Prepayments.	46,122	-	-	46,122
Materials and supplies inventory.	3,281	-	-	3,281
Inventory held for resale.	-	-	2,000	2,000
Total assets	<u>\$ 7,821,336</u>	<u>\$ 1,303,982</u>	<u>\$ 603,341</u>	<u>\$ 9,728,659</u>
Liabilities:				
Accounts payable	\$ 43,411	\$ -	\$ 39,311	\$ 82,722
Accrued wages and benefits payable	1,138,808	-	130,140	1,268,948
Intergovernmental payable	122,956	-	1,590	124,546
Pension and postemployment benefits payable.	182,483	-	14,049	196,532
Total liabilities.	<u>1,487,658</u>	<u>-</u>	<u>185,090</u>	<u>1,672,748</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	1,565,702	311,848	33,430	1,910,980
Delinquent property tax revenue not available.	319,051	64,382	6,471	389,904
Intergovernmental revenue not available.	29,553	-	99,344	128,897
Accrued interest not available.	2,161	-	-	2,161
Total deferred inflows of resources	<u>1,916,467</u>	<u>376,230</u>	<u>139,245</u>	<u>2,431,942</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	3,281	-	-	3,281
Prepays.	46,122	-	-	46,122
Restricted:				
Debt service	-	927,752	-	927,752
Capital improvements	-	-	23	23
Classroom facilities maintenance	-	-	211,906	211,906
Public school preschool	-	-	90	90
Special education	-	-	9,856	9,856
Targeted academic assistance	-	-	7,005	7,005
Extracurricular activities	-	-	17,966	17,966
Other purposes.	-	-	66,335	66,335
Committed:				
Student and staff support	11,588	-	-	11,588
Assigned:				
Student instruction	20,412	-	-	20,412
Student and staff support.	128,825	-	-	128,825
Extracurricular activities	6,736	-	-	6,736
Facilities acquisition and construction	22,888	-	-	22,888
Subsequent year's appropriations	1,088,821	-	-	1,088,821
Other purposes	2,793	-	-	2,793
Unassigned (deficit)	<u>3,085,745</u>	<u>-</u>	<u>(34,175)</u>	<u>3,051,570</u>
Total fund balances	<u>4,417,211</u>	<u>927,752</u>	<u>279,006</u>	<u>5,623,969</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,821,336</u>	<u>\$ 1,303,982</u>	<u>\$ 603,341</u>	<u>\$ 9,728,659</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, 2017

Total governmental fund balances		\$ 5,623,969
<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.		15,598,780
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 389,904	
Accrued interest receivable	2,161	
Intergovernmental receivable	128,897	
Total		520,962
Unamortized premiums on bonds issued are not recognized in the funds.		(323,831)
Unamortized amounts on refundings are not recognized in the funds.		112,005
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(13,957)
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	4,542,499	
Net pension liability	(22,010,322)	
Total		(17,467,823)
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	(4,053,758)	
Capital lease	(43,827)	
Lease-purchase agreement	(124,000)	
Compensated absences	(495,199)	
Total		(4,716,784)
Net position of governmental activities		\$ (666,679)

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, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 2,227,084	\$ 453,328	\$ 40,409	\$ 2,720,821
Tuition.	672,417	-	6,728	679,145
Earnings on investments	45,798	-	297	46,095
Charges for services	-	-	128,485	128,485
Extracurricular.	-	-	77,895	77,895
Other local revenues	94,079	-	64,081	158,160
Intergovernmental - intermediate	-	-	2,850	2,850
Intergovernmental - state	10,771,826	55,299	230,334	11,057,459
Intergovernmental - federal	-	-	1,575,026	1,575,026
Total revenues	<u>13,811,204</u>	<u>508,627</u>	<u>2,126,105</u>	<u>16,445,936</u>
Expenditures:				
Current:				
Instruction:				
Regular.	6,164,769	-	489,377	6,654,146
Special	1,579,646	-	517,211	2,096,857
Vocational	256,104	-	-	256,104
Other	37,523	-	-	37,523
Support services:				
Pupil	554,635	-	-	554,635
Instructional staff	385,407	-	48,423	433,830
Board of education	46,881	-	-	46,881
Administration	1,129,582	-	98,214	1,227,796
Fiscal	367,692	14,620	1,022	383,334
Operations and maintenance	1,246,026	-	257,329	1,503,355
Pupil transportation	1,011,423	-	3,522	1,014,945
Operation of non-instructional services:				
Food service operations.	-	-	723,301	723,301
Other non-instructional services.	9,471	-	-	9,471
Extracurricular activities.	194,803	-	95,406	290,209
Facilities acquisition and construction.	362,179	-	3,939	366,118
Debt service:				
Principal retirement.	87,654	494,000	-	581,654
Interest and fiscal charges	-	153,850	-	153,850
Total expenditures	<u>13,433,795</u>	<u>662,470</u>	<u>2,237,744</u>	<u>16,334,009</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>377,409</u>	<u>(153,843)</u>	<u>(111,639)</u>	<u>111,927</u>
Other financing sources (uses):				
Transfers in.	-	128,450	120,000	248,450
Transfers (out)	(248,450)	-	-	(248,450)
Capital lease transaction	131,481	-	-	131,481
Total other financing sources (uses)	<u>(116,969)</u>	<u>128,450</u>	<u>120,000</u>	<u>131,481</u>
Net change in fund balances	260,440	(25,393)	8,361	243,408
Fund balances at beginning of year.	<u>4,156,771</u>	<u>953,145</u>	<u>270,645</u>	<u>5,380,561</u>
Fund balances at end of year.	<u>\$ 4,417,211</u>	<u>\$ 927,752</u>	<u>\$ 279,006</u>	<u>\$ 5,623,969</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, 2017

Net change in fund balances - total governmental funds	\$	243,408
<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	\$ 1,063,905	
Current year depreciation	(871,228)	
Total		192,677
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(71,239)	
Accrued interest receivable	2,161	
Intergovernmental	(78,000)	
Total		(147,078)
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.		
		581,654
Issuance of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(131,481)
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	3,644	
Accreted interest on capital appreciation bonds	(71,401)	
Amortization of bond premiums	33,869	
Amortization of deferred charges	(13,215)	
Total		(47,103)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,085,464
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,962,922)
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.		
		4,840
Change in net position of governmental activities	\$	(180,541)

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, 2017

	<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	\$ 2,043,657	\$ 2,110,251	\$ 2,110,251	\$ -
Tuition.	651,197	672,417	672,417	-
Earnings on investments	42,442	43,824	43,824	-
Other local revenues	84,809	87,573	87,573	-
Intergovernmental - state	10,436,543	10,776,626	10,776,626	-
Total revenues	<u>13,258,648</u>	<u>13,690,691</u>	<u>13,690,691</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,106,900	6,295,400	6,226,777	68,623
Special.	1,382,305	1,528,305	1,482,531	45,774
Vocational.	193,706	248,706	232,389	16,317
Other.	56,245	69,645	60,670	8,975
Support services:				
Pupil.	577,280	574,921	551,996	22,925
Instructional staff	499,038	419,538	385,833	33,705
Board of education	59,085	70,085	63,325	6,760
Administration.	1,365,930	1,209,962	1,152,928	57,034
Fiscal	441,278	404,778	374,930	29,848
Operations and maintenance.	1,496,640	1,417,640	1,324,947	92,693
Pupil transportation	1,170,850	1,117,350	1,038,536	78,814
Other non-instructional services	8,400	10,400	7,468	2,932
Extracurricular activities.	216,700	249,600	216,999	32,601
Facilities acquisition and construction	228,070	402,570	399,512	3,058
Total expenditures	<u>13,802,427</u>	<u>14,018,900</u>	<u>13,518,841</u>	<u>500,059</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(543,779)</u>	<u>(328,209)</u>	<u>171,850</u>	<u>500,059</u>
Other financing sources (uses):				
Refund of prior year's expenditures	9,855	10,176	10,176	-
Transfers (out).	(220,000)	(248,500)	(248,450)	50
Total other financing sources (uses)	<u>(210,145)</u>	<u>(238,324)</u>	<u>(238,274)</u>	<u>50</u>
Net change in fund balance	(753,924)	(566,533)	(66,424)	500,109
Fund balance at beginning of year	5,147,119	5,147,119	5,147,119	-
Prior year encumbrances appropriated	345,117	345,117	345,117	-
Fund balance at end of year	<u>\$ 4,738,312</u>	<u>\$ 4,925,703</u>	<u>\$ 5,425,812</u>	<u>\$ 500,109</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, 2017

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 242,573	\$ 83,335
Receivables:		
Accrued interest.	155	-
Total assets.	242,728	\$ 83,335
Liabilities:		
Accounts payable.	-	\$ 14,014
Due to students.	-	69,321
Total liabilities	-	\$ 83,335
Net position:		
Held in trust for scholarships	242,728	
Total net position.	\$ 242,728	

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, 2017

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1,105
Gifts and contributions	11,625
Total additions	12,730
Deductions:	
Scholarships awarded	8,733
Change in net position	3,997
Net position at beginning of year	238,731
Net position at end of year	\$ 242,728

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, 2017**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District's facilities are staffed by 59 classified employees and 102 certified employees who provide services to 1,167 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, 2017**

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 2017, 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 2017, the District paid META Solutions \$52,260 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, 2017

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, 2017

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, 2017**

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 13 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, 2017**

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, 2017, but which were levied to finance fiscal year 2018 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 receivables 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 13 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 2017.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2017.

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 2017, investments were limited to negotiable and nonnegotiable certificates of deposit, a U.S. Government money market fund 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.

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$45,798 which includes \$9,125 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

G. Inventory

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

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

H. Capital Assets

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

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

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

Description	Governmental Activities Estimated Lives
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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2017 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, lease purchase agreements and capital leases are recognized as a liability on the fund financial statements when due.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

L. Fund Balance

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

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

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

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

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

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

M. Net Position

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

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

N. 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 10.A.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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 2017.

S. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 33,573
IDEA Part-B, preschool stimulus	445
Improving teacher quality	157

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

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;

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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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, 2017, the carrying amount of all District deposits was \$922,903, 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, 2017, \$19,258 of the District's bank balance of \$1,024,856 was exposed to custodial risk as discussed below, while \$1,005,598 was covered by the FDIC.

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

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, 2017, the District had the following investments and maturities:

Measurement/ Investment type	Measurement value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair value:						
Negotiable CD's	\$ 1,997,018	\$ -	\$ 499,446	\$ 498,432	\$ 499,210	\$ 499,930
U.S. Government money market	4,809	4,809	-	-	-	-
Amortized cost:						
STAR Ohio	<u>4,250,730</u>	<u>4,250,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,252,557</u>	<u>\$ 4,255,539</u>	<u>\$ 499,446</u>	<u>\$ 498,432</u>	<u>\$ 499,210</u>	<u>\$ 499,930</u>

The weighted average maturity of investments is 0.52 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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

Credit Risk: STAR Ohio and U.S. Government money market carry 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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's investments in negotiable CDs are insured by the FDIC. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The 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, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement value</u>	<u>% of Total</u>
<u>Fair value:</u>		
Negotiable CD's	\$ 1,997,018	31.94%
U.S. Government money market	4,809	0.08
<u>Amortized cost:</u>		
STAR Ohio	4,250,730	67.98
	<u>\$ 6,252,557</u>	<u>100.00%</u>

C. Reconciliation of Cash and Investments 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, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 922,903
Investments	<u>6,252,557</u>
Total	<u>\$ 7,175,460</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,849,552
Private-purpose trust fund	242,573
Agency fund	<u>83,335</u>
Total	<u>\$ 7,175,460</u>

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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Bond retirement fund	\$ 128,450
Nonmajor governmental funds	120,000
Total	<u>\$ 248,450</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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Athens and Hocking Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$162,220 in the general fund, \$32,753 in the bond retirement fund and \$2,892 in the classroom facilities maintenance fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for 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. 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.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 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 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 86,313,380	84.66	\$ 86,817,270	79.63
Public utility personal	<u>15,642,290</u>	<u>15.34</u>	<u>22,209,890</u>	<u>20.37</u>
Total	<u>\$ 101,955,670</u>	<u>100.00</u>	<u>\$ 109,027,160</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$32.99		\$32.41	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 consisted of property taxes, accounts (billing for user charged services and student fees), 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	\$ 2,498,749
Accounts	2,620
Intergovernmental	323,399
Accrued interest	<u>2,936</u>
Total	<u>\$ 2,827,704</u>

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

**NELSONVILLE-YORK CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance 6/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/17</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 135,512	\$ -	\$ -	\$ 135,512
Construction in progress	<u>82,600</u>	<u>5,000</u>	<u>(87,600)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>218,112</u>	<u>5,000</u>	<u>(87,600)</u>	<u>135,512</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,858,831	214,050	-	2,072,881
Building and improvements	23,008,076	765,000	-	23,773,076
Furniture, fixtures and equipment	854,453	56,546	(25,944)	885,055
Vehicles	<u>1,682,849</u>	<u>110,909</u>	<u>-</u>	<u>1,793,758</u>
Total capital assets, being depreciated	<u>27,404,209</u>	<u>1,146,505</u>	<u>(25,944)</u>	<u>28,524,770</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,097,226)	(102,742)	-	(1,199,968)
Building and improvements	(9,286,082)	(640,938)	-	(9,927,020)
Furniture and equipment	(521,444)	(40,886)	25,944	(536,386)
Vehicles	<u>(1,311,466)</u>	<u>(86,662)</u>	<u>-</u>	<u>(1,398,128)</u>
Total accumulated depreciation	<u>(12,216,218)</u>	<u>(871,228)</u>	<u>25,944</u>	<u>(13,061,502)</u>
Governmental activities capital assets, net	<u>\$ 15,406,103</u>	<u>\$ 280,277</u>	<u>\$ (87,600)</u>	<u>\$ 15,598,780</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 395,166
Other instruction	969
<u>Support services:</u>	
Administration	256
Operations and maintenance	77,402
Pupil transportation	87,382
Extracurricular activities	15,858
Food service operations	10,864
Unallocated depreciation	<u>283,331</u>
Total depreciation expense	<u>\$ 871,228</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - LEASE AGREEMENTS

During fiscal year 2017, the District entered into a long-term lease agreement with First American Education Finance for school computers. At June 30, 2017, the items acquired by the lease agreement have not been capitalized due to each item being under the capitalization threshold. Lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the general fund. These expenditures are reported as function expenditures on the budgetary statement.

The following is a schedule of the future long-term minimum lease payments required under the lease agreements and the present value of the minimum lease payments as of June 30, 2017.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ <u>43,827</u>
Total minimum lease payments	\$ <u>43,827</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2017, the following changes occurred in governmental activities long-term obligations:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 06/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/17</u>	<u>Amounts Due in One Year</u>
Governmental activities:							
General obligation bonds:							
Refunding bonds	2006	3 - 5.25%	\$ 355,000	\$ -	\$ (195,000)	\$ 160,000	\$ 160,000
Refunding bonds:	2014	2 - 4%					
Current interest bonds			2,020,000	-	(180,000)	1,840,000	-
Capital appreciation bonds			35,000	-	-	35,000	35,000
Accreted interest			77,357	71,401	-	148,758	148,758
Refunding bonds:	2015	2 - 4%					
Current interest bonds			<u>1,870,000</u>	<u>-</u>	<u>-</u>	<u>1,870,000</u>	<u>-</u>
Total general obligation bonds			<u>4,357,357</u>	<u>71,401</u>	<u>(375,000)</u>	<u>4,053,758</u>	<u>343,758</u>
Other long-term obligations:							
Lease-purchase agreement		4.8%	243,000	-	(119,000)	124,000	124,000
Capital lease			-	131,481	(87,654)	43,827	43,827
Net pension liability			17,490,741	4,519,581	-	22,010,322	-
Compensated absences payable			<u>500,039</u>	<u>85,659</u>	<u>(90,499)</u>	<u>495,199</u>	<u>92,654</u>
Total governmental activities long-term liabilities			<u>\$ 22,591,137</u>	<u>\$ 4,808,122</u>	<u>\$ (672,153)</u>	<u>\$ 26,727,106</u>	<u>\$ 604,239</u>
Add: unamortized premium						<u>323,831</u>	
Total on statement of net position						<u>\$ 27,050,937</u>	

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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 9 for detail on the District's capital lease. See Note 13 for detail on the District's net pension liability.

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, 2017, the balance of the refunded bonds is \$390,000.

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 \$1,995,000 at June 30, 2017.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - 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 \$148,758 in accreted interest on the capital appreciation bonds has been included on the statement of net position at June 30, 2017. 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 \$1,945,000 at June 30, 2017.

At June 30, 2017, 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - 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:

Fiscal Year Ended	2006 Refunding Bonds			2015 Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-	-	74,800	74,800
2023 - 2027	-	-	-	235,000	369,300	604,300
2028 - 2032	-	-	-	1,335,000	198,700	1,533,700
2033	-	-	-	300,000	6,000	306,000
Total	<u>\$ 160,000</u>	<u>\$ 4,000</u>	<u>\$ 164,000</u>	<u>\$ 1,870,000</u>	<u>\$ 948,000</u>	<u>\$ 2,818,000</u>

2014 Refunding Bonds

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	200,000	33,175	233,175	-	-	-
2023 - 2026	845,000	63,888	908,888	-	-	-
Total	<u>\$ 1,840,000</u>	<u>\$ 286,038</u>	<u>\$ 2,126,038</u>	<u>\$ 35,000</u>	<u>\$ 200,000</u>	<u>\$ 235,000</u>

Fiscal Year Ended	Lease Purchase Agreement		
	Principal	Interest	Total
2018	\$ 124,000	\$ 3,069	\$ 127,069
Total	<u>\$ 124,000</u>	<u>\$ 3,069</u>	<u>\$ 127,069</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - 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, 2017, are a voted debt margin of \$6,835,196 (including available funds of \$927,752) and an unvoted debt margin of \$109,027.

NOTE 11 - 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.

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, 2017

NOTE 12 - 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 2017, the District contracted with Ohio School Plan for various types of insurance as follows:

Coverage Type	Coverage Amount
Building and contents (\$1,000 deductible)	\$ 56,348,284
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 2017, 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, 2017

NOTE 13 - 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, 2017**

NOTE 13 - 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, 2017, 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 \$272,432 for fiscal year 2017. Of this amount, \$28,332 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, 2017**

NOTE 13 - 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. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 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 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$813,032 for fiscal year 2017. Of this amount, \$136,304 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, 2017

NOTE 13 - 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, 2016, 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>
Proportion of the net pension liability prior measurement date	0.05981070%	0.05093840%	
Proportion of the net pension liability current measurement date	<u>0.06292720%</u>	<u>0.05199601%</u>	
Change in proportionate share	<u>0.00311650%</u>	<u>0.00105761%</u>	
Proportionate share of the net pension liability	\$ 4,605,690	\$ 17,404,632	\$ 22,010,322
Pension expense	\$ 567,591	\$ 1,395,331	\$ 1,962,922

At June 30, 2017, 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	\$ 62,119	\$ 703,232	\$ 765,351
Net difference between projected and actual earnings on pension plan investments	379,903	1,445,051	1,824,954
Changes of assumptions	307,455	-	307,455
Difference between District contributions and proportionate share of contributions/change in proportionate share	196,316	362,959	559,275
District contributions subsequent to the measurement date	<u>272,432</u>	<u>813,032</u>	<u>1,085,464</u>
Total deferred outflows of resources	<u>\$ 1,218,225</u>	<u>\$ 3,324,274</u>	<u>\$ 4,542,499</u>

\$1,085,464 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, 2018. 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, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$ 265,159	\$ 440,802	\$ 705,961
2019	264,885	440,802	705,687
2020	306,542	995,307	1,301,849
2021	<u>109,207</u>	<u>634,331</u>	<u>743,538</u>
Total	<u>\$ 945,793</u>	<u>\$ 2,511,242</u>	<u>\$ 3,457,035</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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

**NELSONVILLE-YORK CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

**NELSONVILLE-YORK CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 6,097,647	\$ 4,605,690	\$ 3,356,861

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, 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, 2016, 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:

**NELSONVILLE-YORK CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
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	1.00	3.00
Total	100.00 %	7.61 %

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

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	\$ 23,129,342	\$ 17,404,632	\$ 12,575,502

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 14 - 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.

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 2017, 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 2017, this amount was \$23,500. 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 2017, the District's surcharge obligation was \$31,898.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$31,898, \$31,947, and \$44,055, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 15 - 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);
- (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) Investments are reported at fair value (GAAP basis) rather than cost (budget 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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (66,424)
Net adjustment for revenue accruals	107,964
Net adjustment for expenditure accruals	(113,471)
Net adjustment for other sources/uses	121,305
Funds budgeted elsewhere	2,540
Adjustment for encumbrances	<u>208,526</u>
GAAP basis	<u>\$ 260,440</u>

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 16 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	221,238
Current year qualifying expenditures	(525,021)
Current year offsets	<u>(88,878)</u>
Total	<u>\$ (392,661)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 17 - 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

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 182,270
Other governmental	<u>11,714</u>
Total	<u>\$ 193,984</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.06292720%	0.05981070%	0.05776500%	0.05776500%
District's proportionate share of the net pension liability	\$ 4,605,690	\$ 3,412,857	\$ 2,923,454	\$ 3,435,099
District's covered-employee payroll	\$ 2,058,621	\$ 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	223.73%	189.54%	174.17%	212.10%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.05199601%	0.05093840%	0.05028375%	0.05028375%
District's proportionate share of the net pension liability	\$ 17,404,632	\$ 14,077,884	\$ 12,230,748	\$ 14,569,187
District's covered-employee payroll	\$ 5,505,664	\$ 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	316.12%	260.92%	238.06%	263.48%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 272,432	\$ 288,207	\$ 237,321	\$ 232,646
Contributions in relation to the contractually required contribution	<u>(272,432)</u>	<u>(288,207)</u>	<u>(237,321)</u>	<u>(232,646)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,945,943	\$ 2,058,621	\$ 1,800,615	\$ 1,678,543
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 224,152	\$ 227,968	\$ 229,505	\$ 247,916	\$ 190,451	\$ 184,172
<u>(224,152)</u>	<u>(227,968)</u>	<u>(229,505)</u>	<u>(247,916)</u>	<u>(190,451)</u>	<u>(184,172)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,619,595	\$ 1,694,929	\$ 1,825,815	\$ 1,830,990	\$ 1,935,478	\$ 1,875,479
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 813,032	\$ 770,793	\$ 755,353	\$ 667,889
Contributions in relation to the contractually required contribution	<u>(813,032)</u>	<u>(770,793)</u>	<u>(755,353)</u>	<u>(667,889)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,807,371	\$ 5,505,664	\$ 5,395,379	\$ 5,137,608
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$ 718,839	\$ 736,701	\$ 739,552	\$ 667,820	\$ 674,812	\$ 697,178
<u>(718,839)</u>	<u>(736,701)</u>	<u>(739,552)</u>	<u>(667,820)</u>	<u>(674,812)</u>	<u>(697,178)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,529,531	\$ 5,666,931	\$ 5,688,862	\$ 5,137,077	\$ 5,190,862	\$ 5,362,908
13.00%	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, 2017**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

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**NELSONVILLE-YORK CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 Cluster:			
(C)(D) School Breakfast Program	10.553	2017	\$ 143,474
(D)(E) National School Lunch Program-Food Donations	10.555	2017	21,596
(C)(D) National School Lunch Program	10.555	2017	325,700
Total National School Lunch Program			347,296
Total U.S. Department of Agriculture and Child Nutrition Cluster			490,770
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	2016	104,312
Title I Grants to Local Educational Agencies	84.010	2017	490,201
Total Title I Grants to Local Educational Agencies			594,513
Special Education Grant Cluster:			
(F) Special Education_Grants to States	84.027	2016	18,607
(F) Special Education_Grants to States	84.027	2017	265,978
Total Special Education_Grants to States			284,585
(F) Special Education_Preschool Grants	84.173	2017	4,156
Total Special Education Grant Cluster			288,741
Rural Education	84.358	2016	3,522
Rural Education	84.358	2017	24,545
Total Rural Education			28,067
Improving Teacher Quality State Grants	84.367	2016	14,024
Improving Teacher Quality State Grants	84.367	2017	75,168
Total Improving Teacher Quality State Grants			89,192
Total U.S. Department of Education			1,000,513
Total Federal Financial Assistance			\$ 1,491,283

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2017.
- (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, 2017 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 and breakfasts; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition 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 elected not to use the 10% de minimis 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, Ohio, as of and for the fiscal year ended June 30, 2017, 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 November 8, 2017.

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.
November 8, 2017



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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:

Report 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, 2017. 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, 2017.

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 the 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.
November 8, 2017

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

**SCHEDULE OF FINDINGS
UNIFORM GUIDANCE 2 CFR § 200.515
JUNE 30, 2017**

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 (CFDA #84.010)
<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 § 200.520?</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
JANUARY 4, 2018**