

NELSONVILLE-YORK CITY SCHOOL DISTRICT

ATHENS COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2003

FISCAL YEAR AUDITED UNDER GAGAS: 2003

BALESTRA, HARR & SCHERER, CPAS, INC.

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**Auditor of State
Betty Montgomery**

Board of Education
Nelsonville-York City School District

We have reviewed the Independent Auditor's Report of the Nelsonville-York City School District, Athens County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period July 1, 2002 through June 30, 2003. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 26, 2003

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NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY
JULY 1, 2002 THROUGH JUNE 30, 2003

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Board of Education
Nelsonville-York City School District
Athens County
2 Buckeye Drive
Nelsonville, OH 45764

We have audited the accompanying general purpose financial statements of Nelsonville-York City School District, Athens County, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Nelsonville-York City School District, Athens County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Expenditures is presented for additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.
December 12, 2003

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Cash and Cash Equivalents	\$1,859,410	\$128,657	\$580,413	\$284,356
Investments	0	0	0	0
Receivables:				
Taxes	1,714,622	38,558	317,470	0
Accounts	209	0	0	0
Intergovernmental	0	180,334	0	0
Accrued Interest	0	0	0	0
Interfund	93,000	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	2,758	0	0	0
Prepaid Items	28,140	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	121,652	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$3,819,791</u>	<u>\$347,549</u>	<u>\$897,883</u>	<u>\$284,356</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$31,414	\$8,290	\$0	\$0
Accrued Wages and Benefits Payable	560,152	135,932	0	0
Compensated Absences Payable	56,676	2,225	0	0
Interfund Payable	0	23,000	0	0
Intergovernmental Payable	143,919	24,148	0	0
Deferred Revenue	1,636,696	80,294	301,771	0
Due to Students	0	0	0	0
Asbestos Removal Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>2,428,857</u>	<u>273,889</u>	<u>301,771</u>	<u>0</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	9,210	10,279	0	770
Reserved for Endowments	0	0	0	0
Reserved for Inventory	2,758	0	0	0
Reserved for Property Taxes	77,926	1,522	15,699	0
Reserved for Statutory Set-Asides	121,652	0	0	0
Unreserved:				
Undesignated/ (Deficit)	1,179,388	61,859	580,413	283,586
Total Fund Equity and Other Credits	<u>1,390,934</u>	<u>73,660</u>	<u>596,112</u>	<u>284,356</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,819,791</u>	<u>\$347,549</u>	<u>\$897,883</u>	<u>\$284,356</u>

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$35,407	\$85,888	\$0	\$0	\$2,974,131
0	34,500	0	0	34,500
0	0	0	0	2,070,650
0	0	0	0	209
0	0	0	0	180,334
0	413	0	0	413
0	0	0	0	93,000
1,030	0	0	0	1,030
27	0	0	0	2,785
0	0	0	0	28,140
0	0	0	0	121,652
81,265	0	10,596,705	0	10,677,970
0	0	0	596,112	596,112
0	0	0	2,402,104	2,402,104
<u>\$117,729</u>	<u>\$120,801</u>	<u>\$10,596,705</u>	<u>\$2,998,216</u>	<u>\$19,183,030</u>
\$697	\$0	\$0	\$0	\$40,401
22,720	0	0	0	718,804
0	0	0	655,322	714,223
70,000	0	0	0	93,000
12,964	0	0	81,299	262,330
39	0	0	0	2,018,800
0	79,089	0	0	79,089
0	0	0	26,595	26,595
0	0	0	2,235,000	2,235,000
<u>106,420</u>	<u>79,089</u>	<u>0</u>	<u>2,998,216</u>	<u>6,188,242</u>
0	0	10,596,705	0	10,596,705
11,309	0	0	0	11,309
0	30	0	0	20,289
0	34,500	0	0	34,500
0	0	0	0	2,758
0	0	0	0	95,147
0	0	0	0	121,652
0	7,182	0	0	2,112,428
<u>11,309</u>	<u>41,712</u>	<u>10,596,705</u>	<u>0</u>	<u>12,994,788</u>
<u>\$117,729</u>	<u>\$120,801</u>	<u>\$10,596,705</u>	<u>\$2,998,216</u>	<u>\$19,183,030</u>

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General	Special Revenue	Debt Service
Revenues:			
Taxes	\$1,500,435	\$31,723	\$277,378
Intergovernmental	6,063,884	1,461,492	21,538
Interest	44,288	0	0
Tuition and Fees	82	0	0
Extracurricular Activities	0	28,333	0
Gifts and Donations	0	0	0
Miscellaneous	112,835	34,319	0
Total Revenues	7,721,524	1,555,867	298,916
Expenditures:			
Current:			
Instruction:			
Regular	3,310,469	822,774	0
Special	795,621	343,092	0
Vocational	60,507	0	0
Support Services:			
Pupils	321,245	1,266	0
Instructional Staff	376,061	341,742	0
Board of Education	41,089	0	0
Administration	858,731	102,678	0
Fiscal	244,732	4,849	0
Operation and Maintenance of Plant	1,177,961	58,374	7,307
Pupil Transportation	680,265	2,976	0
Central	840	0	0
Operation of Non-Instructional Services	29,528	5,565	0
Extracurricular Activities	107,864	34,271	0
Capital Outlay	4,836	0	0
Debt Service:			
Principal Retirement	0	0	103,637
Interest and Fiscal Charges	0	0	128,070
Total Expenditures	8,009,749	1,717,587	239,014
Excess of Revenues Over/(Under) Expenditures	(288,225)	(161,720)	59,902
Other Financing Sources/(Uses):			
Operating Transfers In	0	7,171	18,638
Operating Transfers Out	(62,138)	(3,671)	0
Total Other Financing Sources/(Uses)	(62,138)	3,500	18,638
Total of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources/(Uses)	(350,363)	(158,220)	78,540
Fund Balances at Beginning of Year	1,741,385	231,880	517,572
Increase/(Decrease) in Reserve for Inventory	(88)	0	0
Fund Balances at End of Year	\$1,390,934	\$73,660	\$596,112

The notes to the financial statements are an integral part of this statement.

<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
\$0	\$0	\$1,809,536
13,770	0	7,560,684
0	0	44,288
0	0	82
0	0	28,333
0	500	500
<u>0</u>	<u>0</u>	<u>147,154</u>
13,770	500	9,590,577
0	0	4,133,243
0	0	1,138,713
0	0	60,507
0	0	322,511
0	447	718,250
0	0	41,089
0	0	961,409
0	0	249,581
0	0	1,243,642
0	0	683,241
0	0	840
0	0	35,093
0	0	142,135
5,420	0	10,256
0	0	103,637
<u>0</u>	<u>0</u>	<u>128,070</u>
5,420	447	9,972,217
8,350	53	(381,640)
25,000	0	50,809
<u>0</u>	<u>0</u>	<u>(65,809)</u>
25,000	0	(15,000)
33,350	53	(396,640)
251,006	1,794	2,743,637
<u>0</u>	<u>0</u>	<u>(88)</u>
<u>\$284,356</u>	<u>\$1,847</u>	<u>\$2,346,909</u>

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

COMBINED STATEMENT OF REVEUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General Fund		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Taxes	\$1,498,418	\$1,498,418	\$0
Intergovernmental	6,064,986	6,064,986	0
Interest	44,288	44,288	0
Tuition and Fees	82	82	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	112,852	112,852	0
Total Revenues	<u>7,720,626</u>	<u>7,720,626</u>	<u>0</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,094,320	3,319,353	774,967
Special	1,024,715	776,107	248,608
Vocational	73,850	60,282	13,568
Support Services:			
Pupils	315,099	301,970	13,129
Instructional Staff	409,637	369,683	39,954
Board of Education	53,625	41,044	12,581
Administration	896,509	851,087	45,422
Fiscal	272,634	242,080	30,554
Operation and Maintenance of Plant	1,424,120	1,188,927	235,193
Pupil Transportation	810,157	692,318	117,839
Central	2,490	2,055	435
Operation of Non-Instructional Services	29,528	29,528	0
Extracurricular Activities	163,950	108,109	55,841
Capital Outlay	4,836	4,836	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>9,575,470</u>	<u>7,987,379</u>	<u>1,588,091</u>
Excess of Revenues Over/(Under) Expenditures	(1,854,844)	(266,753)	1,588,091
Other Financing Sources/(Uses):			
Operating Transfers In	0	0	0
Advances In	0	0	0
Operating Transfers Out	(70,007)	(62,138)	7,869
Advances Out	(53,000)	(53,000)	0
Total Other Financing Sources/(Uses)	<u>(123,007)</u>	<u>(115,138)</u>	<u>7,869</u>
Total of Revenues and Other Financing Sources			
Over/(Under) Expenditures and Other Financing Uses	(1,977,851)	(381,891)	1,595,960
Fund Balances at Beginning of Year	2,171,070	2,171,070	0
Prior Year Encumbrances Appropriated	167,811	167,811	0
Fund Balances at End of Year	<u>\$361,030</u>	<u>\$1,956,990</u>	<u>\$1,595,960</u>

The notes to the financial statements are an integral part of this statement.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
\$31,994	\$31,994	\$0	\$276,254	\$276,254	\$0
1,607,541	1,397,459	(210,082)	21,538	21,538	0
0	0	0	0	0	0
0	0	0	0	0	0
28,333	28,333	0	0	0	0
0	0	0	0	0	0
34,319	34,319	0	0	0	0
<u>1,702,187</u>	<u>1,492,105</u>	<u>(210,082)</u>	<u>297,792</u>	<u>297,792</u>	<u>0</u>
884,770	823,330	61,440	0	0	0
493,615	347,463	146,152	0	0	0
0	0	0	0	0	0
3,300	2,730	570	0	0	0
382,959	345,157	37,802	0	0	0
0	0	0	0	0	0
117,213	99,730	17,483	0	0	0
6,108	4,782	1,326	0	0	0
66,172	58,374	7,798	10,500	7,307	3,193
2,976	2,976	0	0	0	0
0	0	0	0	0	0
10,708	5,565	5,143	0	0	0
37,042	37,042	0	0	0	0
0	0	0	0	0	0
0	0	0	103,637	103,637	0
0	0	0	129,877	128,070	1,807
<u>2,004,863</u>	<u>1,727,149</u>	<u>277,714</u>	<u>244,014</u>	<u>239,014</u>	<u>5,000</u>
(302,676)	(235,044)	67,632	53,778	58,778	5,000
26,171	7,171	(19,000)	18,638	18,638	0
4,000	23,000	19,000	0	0	0
(3,671)	(3,671)	0	0	0	0
0	0	0	0	0	0
<u>26,500</u>	<u>26,500</u>	<u>0</u>	<u>18,638</u>	<u>18,638</u>	<u>0</u>
(276,176)	(208,544)	67,632	72,416	77,416	5,000
207,120	207,120	0	502,997	502,997	0
115,541	115,541	0	0	0	0
<u>\$46,485</u>	<u>\$114,117</u>	<u>\$67,632</u>	<u>\$575,413</u>	<u>\$580,413</u>	<u>\$5,000</u>

(Continued)

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Taxes	\$0	\$0	\$0
Intergovernmental	13,770	13,770	0
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	0	0	0
Total Revenues	13,770	13,770	0
Expenditures:			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	224,967	0	224,967
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	60,907	48,083	12,824
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	285,874	48,083	237,791
Excess of Revenues Over/(Under) Expenditures	(272,104)	(34,313)	237,791
Other Financing Sources/(Uses):			
Operating Transfers In	25,000	25,000	0
Advances In	0	0	0
Operating Transfers Out	0	0	0
Advances Out	0	0	0
Total Other Financing Sources/(Uses)	25,000	25,000	0
Total of Revenues and Other Financing Sources			
Over/(Under) Expenditures and Other Financing Uses	(247,104)	(9,313)	237,791
Fund Balances at Beginning of Year	250,238	250,238	0
Prior Year Encumbrances Appropriated	42,661	42,661	0
Fund Balances at End of Year	\$45,795	\$283,586	\$237,791

The notes to the financial statements are an integral part of this statement.

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
\$0	\$0	\$0	\$1,806,666	\$1,806,666	\$0
0	0	0	7,707,835	7,497,753	(210,082)
0	0	0	44,288	44,288	0
0	0	0	82	82	0
0	0	0	28,333	28,333	0
500	500	0	500	500	0
0	0	0	147,171	147,171	0
500	500	0	9,734,875	9,524,793	(210,082)
1,181	0	1,181	4,980,271	4,142,683	837,588
0	0	0	1,518,330	1,123,570	394,760
0	0	0	73,850	60,282	13,568
102	0	102	318,501	304,700	13,801
1,008	501	507	793,604	715,341	78,263
0	0	0	53,625	41,044	12,581
0	0	0	1,013,722	950,817	62,905
0	0	0	278,742	246,862	31,880
0	0	0	1,725,759	1,254,608	471,151
0	0	0	813,133	695,294	117,839
0	0	0	2,490	2,055	435
0	0	0	40,236	35,093	5,143
0	0	0	200,992	145,151	55,841
0	0	0	65,743	52,919	12,824
0	0	0	103,637	103,637	0
0	0	0	129,877	128,070	1,807
2,291	501	1,790	12,112,512	10,002,126	2,110,386
(1,791)	(1)	1,790	(2,377,637)	(477,333)	1,900,304
0	0	0	69,809	50,809	(19,000)
0	0	0	4,000	23,000	19,000
0	0	0	(73,678)	(65,809)	7,869
0	0	0	(53,000)	(53,000)	0
0	0	0	(52,869)	(45,000)	7,869
(1,791)	(1)	1,790	(2,430,506)	(522,333)	1,908,173
1,771	1,771	0	3,133,196	3,133,196	0
23	23	0	326,036	326,036	0
\$3	\$1,793	\$1,790	\$1,028,726	\$2,936,899	\$1,908,173

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED
EARNINGS/FUND BALANCE - PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Revenues:			
Sales	\$137,789	\$0	\$137,789
Interest	0	877	877
Contributions and Donations	0	9,500	9,500
Other Operating Revenues	10,527	0	10,527
Total Operating Revenues	<u>148,316</u>	<u>10,377</u>	<u>158,693</u>
Operating Expenses:			
Salaries	143,371	0	143,371
Fringe Benefits	79,546	0	79,546
Purchased Services	2,151	0	2,151
Materials and Supplies	52,379	0	52,379
Cost of Sales	138,216	0	138,216
Other Operating Expenses	771	7,187	7,958
Depreciation	9,878	0	9,878
Total Operating Expenses	<u>426,312</u>	<u>7,187</u>	<u>433,499</u>
Operating Income/(Loss)	(277,996)	3,190	(274,806)
Nonoperating Revenues/(Expenses):			
Federal Donated Commodities	21,694	0	21,694
Interest	1,642	0	1,642
Increase/(Decrease) in Fair Value of Investments	0	(1,471)	(1,471)
Federal and State Subsidies	245,786	0	245,786
Total Nonoperating Revenues/(Expenses)	<u>269,122</u>	<u>(1,471)</u>	<u>267,651</u>
Operating Transfers In	<u>15,000</u>	<u>0</u>	<u>15,000</u>
Net Income/(Loss)	6,126	1,719	7,845
Retained Earnings/Fund Balance at Beginning of Year	<u>5,183</u>	<u>38,146</u>	<u>43,329</u>
Retained Earnings/Fund Balance at End of Year	<u><u>\$11,309</u></u>	<u><u>\$39,865</u></u>	<u><u>\$51,174</u></u>

The notes to the financial statements are an integral part of this statement.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type	Nonexpendable Trust	Totals (Memorandum Only)
	Enterprise		
Increase/(Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$137,789	\$0	\$137,789
Cash Received from Contributions and Donations	0	9,500	9,500
Cash Received from Other Operating Revenues	10,527	0	10,527
Cash Payments to Suppliers for Goods and Services	(170,838)	0	(170,838)
Cash Payments to Employees for Services	(157,613)	0	(157,613)
Cash Payments for Employee Benefits	(79,571)	0	(79,571)
Cash Payments from Other Operating Expenses	(771)	(7,187)	(7,958)
Net Cash from Operating Activities	(260,477)	2,313	(258,164)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	245,786	0	245,786
Transfers and Advances In from Other Funds	45,000	0	45,000
Net Cash from Noncapital Financial Activities	290,786	0	290,786
Cash Flows from Capital Financing Activities:			
Cash Payments for Capital Acquisitions	(14,054)	0	(14,054)
Net Cash from Capital Financing Activities	(14,054)	0	(14,054)
Cash Flows from Capital Investing Activities:			
Interest Received on Investments	1,642	1,216	2,858
Net Cash from Investing Activities	1,642	1,216	2,858
Net Increase/(Decrease) in Cash and Cash Equivalents	17,897	3,529	21,426
Cash and Cash Equivalents at Beginning of Year	17,510	1,423	18,933
Cash and Cash Equivalents at End of Year	\$35,407	\$4,952	\$40,359
Reconciliation of Operating Income/(Loss) to Net Cash from Operating Activities:			
Operating Income/(Loss)	(\$277,996)	\$3,190	(\$274,806)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash from Operating Activities:			
Depreciation	9,878	0	9,878
Donated Commodities Revenue Recognized During Year	21,694	0	21,694
Interest Revenue	0	(877)	(877)
Changes in Assets and Liabilities:			
(Increase)/Decrease in Inventory Held for Resale	(502)	0	(502)
(Increase)/Decrease in Materials and Supplies Inventory	76	0	76
Increase/(Decrease) in Accounts Payable	697	0	697
Increase/(Decrease) in Accrued Wages and Benefits Payable	237	0	237
Increase/(Decrease) in Compensated Absences Payable	(14,479)	0	(14,479)
Increase/(Decrease) in Intergovernmental Payable	(25)	0	(25)
Increase/(Decrease) in Deferred Revenue	(57)	0	(57)
Total Adjustments	17,519	(877)	16,642
Net Cash from Operating Activities	(\$260,477)	\$2,313	(\$258,164)
Reconciliation of Cash and Cash Equivalents on the Balance Sheet to the Statement and Cash Flows:			
Cash and Cash Equivalents on Balance Sheet - All Fiduciary Funds			\$85,888
Cash and Cash Equivalents - Expendable Trust and Agency Funds			(80,936)
Cash and Cash Equivalents on the Statement of Cash Flows - Nonexpendable Trust Fund			\$4,952

The notes to the financial statements are an integral part of this statement.

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NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the Entity

The Nelsonville-York City School District (the District) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District provides educational services as authorized by the State statute and/or federal guidelines. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the District's instructional support facilities staffed by 69 non-certificated, 103 teaching personnel and 13 administrative employees providing education to approximately 1,304 students.

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

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Nelsonville-York City School District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District has no component units.

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

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

The District is associated with five organizations, four of which are defined as jointly governed organizations and one as a group purchasing pool. These organizations are the Tri-County Joint Vocational School District, the Southeastern Ohio Voluntary Education Cooperative, the Southeastern Ohio Special Education Regional Resource Center, the Athens County School Employees Health and Welfare Benefit Association, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the financial statements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation – Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose or carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for the proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

Special Revenue Funds: Special revenue funds are used to account for proceeds from specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

Debt Service Fund: The debt service fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Funds: Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Type:

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's only proprietary fund type:

Enterprise Fund: Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following is the District's fiduciary fund types:

Expendable Trust Funds: These funds account for resources, including both principal and earnings which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds: These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

Agency Funds: These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group: This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group: This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type and nonexpendable trust fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The modified accrual basis of accounting is followed for governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for proprietary and nonexpendable trust funds.

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 the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 the 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 year end: property taxes available as an advance, grants, tuition and student fees.

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

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental and expendable trust fund accounting is on decreases in financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in a debt services fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with the available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental and expendable trust funds.

The accrual basis of accounting is utilized for reporting purposes by proprietary and nonexpendable trust funds. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Athens County Budget Commission for rate determination.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which state the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter objective appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, six supplement appropriations were legally enacted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental and expendable trust funds.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary and nonexpendable trust funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the combined balance sheet. During the fiscal year 2003, investments were limited to certificates of deposit with local institutions and STAROhio. Investment earnings are allocated as authorized by State statute.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The Board of Education had, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$44,288, which includes \$13,787 assigned from other District funds. In addition, the Enterprise and Nonexpendable Trust Funds received \$1,642 and \$877, respectively, in interest revenue.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2003. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool or investments with a maturity of three months or less at the time they are purchased by the District would be considered to be cash equivalents.

Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserved in governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, lunchroom supplies, and school supplies held for resale and are expended when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a reserve for textbooks and instructional materials, capital improvements and maintenance, and budget stabilization in accordance with State statute. A fund balance reserve has also been established.

Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in proprietary funds are capitalized in the respective funds. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair values as of the date received. The District maintains a capitalization threshold of five hundred dollars and one year life. The District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Assets in the General Fixed Assets Account Group are depreciated using the straight-line method over an estimated useful life of 50 years for building, 20 years for improvements other than buildings, 6 to 15 years for furniture, equipment and fixtures, and 5 to 10 years for vehicles. Depreciation of furniture and equipment, the only proprietary fund type fixed asset classification, is computed using the straight-line method over an estimated useful life of 15 to 20 years.

Interfund Assets/Liabilities

Receivable and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the combined balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

Interfund balances at June 30, 2003 were comprised of a receivable in the General Fund of \$93,000 and payables in the following funds: Food Service (Enterprise) Fund - \$70,000, Title VI-B (Special Revenue) Fund - \$19,000, and NDEA Title III (Special Revenue) Fund - \$4,000.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are eligible to receive termination payments and by those employees for whom it is probable will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the District's termination policy.

For governmental funds, 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 remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current expendable available financial resources. Payment made more than sixty days after year end are considered not to have used current available financial resources. Long-term loans are recognized as a liability of the General Long-term Obligations Account Group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that a portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes and statutory set-asides.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned “Totals (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis), All Governmental Fund Types and Expendable Trust 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 GAAP basis are that:

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

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources/(Uses) – All Governmental Fund Types and Expendable Trust Fund					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$350,363)	(\$158,220)	\$78,540	\$33,350	\$53
Adjustments:					
Revenue Accruals	(898)	(63,762)	(1,124)	0	0
Expenditure Accruals	22,370	(9,562)	0	(42,663)	(54)
Other Financing Sources/Uses	(53,000)	23,000	0	0	0
Budget Basis	(\$381,891)	(\$208,544)	\$77,416	(\$9,313)	(\$1)

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 – ACCOUNTABILITY

Fund Deficits

Fund balances at June 30, 2003, included the following individual fund deficits:

Special Revenue Funds:	
Entry Year	\$44
DPIA	84,388
NDEA Title III	708
Drug Free Grant	955
Pre-School Grant	1,545

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

NOTE 5 – CASH, 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 commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the two year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys 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.

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

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 5 – CASH, DEPOSITS AND INVESTMENTS (CONTINUED)

State Statute permits interim moneys to be deposited or invested in the following securities

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States Treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or 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 obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, 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); and
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 5 – CASH, DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits:

At year-end, the carrying amount of the District’s deposits was \$104,197 and the bank balance was \$220,009. Of the bank balance, \$134,500 was covered by federal depository insurance. The remaining amounts were collateralized with securities held by the District’s pledging financial institution’s trust department or agent in the District’s name. Although the securities serving as collateral were held by the pledging financial institutions’ trust department in the District’s name and all State statutory requirements for the investments of money had been followed, noncompliance with federal requirements would potentially subject the money to a successful claim by the Federal Deposit Insurance Corporation.

Investments:

The District’s investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District’s name. The District’s investments in STAROhio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Value</u>	<u>Fair Value</u>
STAROhio	<u>\$3,026,086</u>	<u>\$3,026,086</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash and Cash</u>	
	<u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$3,095,783	\$34,500
Investments:		
Certificates of Deposit	34,500	(34,550)
STAROhio	(3,026,086)	3,026,086
GASB Statement No. 3	<u>\$104,197</u>	<u>\$3,026,086</u>

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 6 – PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in the new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien data. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are 25 percent of true value.

Real property taxes are paid by taxpayers annually or semiannually. If paid annually, payment is due December 31, unless extended; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20, unless extended. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Athens and Hocking Counties. The County Auditor from each county periodically advances to the District their portion of the taxes collected. Second-half real property tax payments collected by each county by June 30, 2003, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$77,926 to the General Fund, \$1,522 for the Classroom Facilities Maintenance (Special Revenue) Fund, and \$15,699 for the Debt Service Fund.

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$49,070,910	79%	\$67,389,190	82%
Public Utility Personal	6,258,990	9%	8,172,270	10%
Tangible Personal Property	7,483,083	12%	6,011,890	8%
Total Assessed Value	<u>\$62,812,983</u>	<u>100.00%</u>	<u>\$81,573,350</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$32.20		\$32.20	

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 7 – RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, fees, interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, and stable condition of State programs, and the current year guarantee of federal funds. The principal items of intergovernmental receivables follow:

Special Revenue Funds:	
NDEA Title III	\$15,258
Title VI-B	35,604
Pre-School Grant	356
Drug Free Grant	1,188
Title I	101,472
Chapter II	13,209
JAVITS Grant	13,247
Total Special Revenue Funds	\$180,334

NOTE 8 – FIXED ASSETS

A summary of the Enterprise Fund's fixed assets at June 30, 2003 follows:

Furniture and Equipment	\$267,813
Less: Accumulated Depreciation	(186,548)
Net Fixed Assets	\$81,265

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at July 1, 2002	Additions	Deletions	Balance at June 30, 2003
Land	\$528,350	\$5,000	\$0	\$533,350
Buildings and Improvements	11,798,783	76,826	0	11,875,609
Furniture, Fixtures and Equipment	2,111,169	105,040	0	2,216,209
Vehicles	1,032,907	70,551	0	1,103,458
Totals	\$15,471,209	\$257,417	\$0	15,728,626
Less: Accumulated Depreciation				(5,131,921)
Net Fixed Assets				\$10,596,705

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2003, the District contracted with various commercial carriers for property and fleet insurance, liability insurance, inland marine coverage, and public official bonds. Coverages provided are as follows:

Building and Contents (\$1,000 deductible)	\$27,691,669
Automobile Liability (\$100 deductible):	
Per Person	1,000,000
Per Accident	1,000,000
Uninsured Motorists (\$100 deductible):	
Per Person	50,000
Per Accident	50,000
General Liability:	
Per Occurrence	2,000,000
Total Per Year	5,000,000
Public Official Bonds:	
Treasurer	20,000
Superintendent/Board President (each)	6,000

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

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP 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 GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm Shakely Univservice, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2002 (the latest information year available), 5.46 percent of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions to SERS for the fiscal years ending June 30, 2003, 2002 and 2001 were \$90,487, \$57,158 and \$46,707, respectively; 56 percent has been contributed for fiscal year 2003, and 100 percent for the fiscal years 2002 and 2001. \$39,729, representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. For fiscal year 2003, 13 percent of the District's contribution was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contribution for pension obligations to STRS for the fiscal years ending June 30, 2003, 2002 and 2001 were \$617,937, \$405,535 and \$394,916, respectively, 84 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$98,525, representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 – POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$46,253 during fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year 2003 (the latest information available), employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002 (the latest information available), the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002 SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$151,378 during the 2003 fiscal year.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 12 – EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent and Treasurer. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 310 days for all personnel. Upon retirement, payment is made for an employee’s accumulated sick leave up to a maximum of 60 days for certified employees and administrators and 66 days for classified employees.

The amount of accumulated vacation and sick leave of employees paid from governmental funds has been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees paid from proprietary funds is recorded as an expense and liability of the fund.

For governmental funds, the current portion of unpaid compensated absences in the General Fund and Special Revenue Funds, and the balance of the liability reported in the General Long-Term Obligations Account Group was \$56,676, \$2,225 and \$655,322, respectively.

Health Care Benefits

The District has elected to provide employee medical/surgical benefits, dental and prescription drug benefits through the Athens County School Employee Health and Welfare Benefit Association. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. See Note 16 for more information concerning the Athens County School Employee Health and Welfare Benefit Association.

NOTE 13 – LONG-TERM OBLIGATIONS

The changes in the long-term obligations of the District during the 2003 fiscal year were as follows:

	Maturity Date	Interest Rate	Principal Balance at July 1, 2002	Additions	Deletions	Principal Balance at June 30, 2003
Compensated Absences	N/A	N/A	\$617,160	\$38,162	\$0	\$655,322
Intergovernmental Payable	N/A	N/A	34,084	81,299	34,084	81,299
Asbestos Removal Loan	2005	N/A	45,232	0	18,637	26,595
General Obligation Bonds	2018	3.75-5.90%	2,320,000	0	85,000	2,235,000
Total General Long-Term Obligations			\$3,016,476	\$119,461	\$137,721	\$2,998,216

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

The general obligation bonds were issued in the amount of \$2,731,199 in March 1997 as a result of the District being approved for a \$8,266,334 school facilities loan through the State Department of Education for the construction of an elementary school building and improvements to the middle school building. The District issued the general obligation bonds to provide a partial cash match for the school facilities loan. As a requirement of the loan, the District was required to pass a 4.50 mill levy. The 4.50 mill levy, of which .50 mill was to be used for the retirement of the loan, will be in effect for twenty-three years.

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

Compensated absences and intergovernmental payable will be paid from the fund from which the employee is paid. The asbestos removal loan and general obligation bonds will be paid from the Debt Service Fund.

The District's voted legal debt margin was \$5,080,007 with an unvoted debt margin of \$81,573 at June 30, 2003.

Principal and interest requirements to retire general obligation debt at June 30, 2003, are as follows:

Year ending June 30,	Asbestos Removal Loan	General Obligation Bonds
2004	\$18,637	\$216,025
2005	7,958	216,861
2006	0	217,375
2007	0	221,805
2008	0	220,168
2009-2013	0	1,293,180
2014-2018	0	837,897
2019-2021	0	205,900
Total Principal & Interest	26,595	3,429,211
Less: Interest	0	1,194,211
Total Principal	\$26,595	\$2,235,000

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 14 – STATUTORY SET-ASIDES

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

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

	Textbooks	Capital Improvements	Budget Stabilization	Totals
Set-Aside Balance as a July 1, 2002	\$59,553	\$8,397	\$40,730	\$108,680
Current Year Set-Aside Requirement	181,114	181,114	0	362,228
Current Year Offset	0	(40,000)	0	(40,000)
Qualifying Disbursements	(170,089)	(139,167)	0	(309,256)
Total	<u>70,578</u>	<u>10,344</u>	<u>40,730</u>	<u>121,652</u>
Set-Aside Balance as of June 30, 2003	<u>\$70,578</u>	<u>\$10,344</u>	<u>\$40,730</u>	
Total Restricted Assets				<u>\$121,652</u>

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

Although the District can have qualifying disbursements during the year that exceed the current year set-aside requirements in both the textbook and capital improvement reserve accounts, only the excess in the textbook reserve account can be carried forward to offset future years' textbook set-aside requirements. Cash balances in both the textbook and capital improvement reserve accounts may also be used to offset future years' textbook and capital improvement set-aside requirements.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 15 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two Enterprise Funds to account for operations of food service sales and uniform school supply sales. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds as of and for the fiscal year ended June 30, 2003.

	Food Service	Uniform School Supplies	Total Enterprise
Operating Revenues	\$148,106	\$210	\$148,316
Operating Expenses Before Depreciation	416,396	38	416,434
Depreciation	9,878	0	9,878
Operating Income/(Loss)	(278,168)	172	(277,996)
Donated Commodities	21,694	0	21,694
Interest	1,642	0	1,642
Operating Grants	245,786	0	245,786
Operating Transfers In	15,000	0	15,000
Net Income/(Loss)	5,954	172	6,126
Fixed Asset Additions	14,054	0	14,054
Net Working Capital	(71,531)	1,575	(69,956)
Total Assets	116,154	1,575	117,729
Total Liabilities	106,420	0	106,420
Total Equity	9,734	1,575	11,309

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Tri-County Joint Vocational School District

The Tri-County Joint Vocational School District 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 Joint Vocational School and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Joint Vocational School is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2003, the District made no contributions to the Joint Vocational School. Financial information can be obtained from Tri-County Joint Vocational School, 15676 State Route 691, Nelsonville, Ohio 45764.

Southeastern Ohio Voluntary Education Cooperative

The District is a participant among a ten county consortium of school districts to operate the Southeastern Ohio Voluntary Education Cooperative (SEOVEC). The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member districts. SEOVEC is governed by a board of directors consisting of one representative from each of the participating districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The District paid \$12,071 to SEOVEC for services provided during the year. Financial information for SEOVEC can be obtained from their administrative offices at P.O. Box 1250, Athens, Ohio 45701.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

Southeastern Ohio Special Education Regional Resource Center

The Southeastern Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation of the Board. Currently, the Nelsonville-York City School District has no representation on the SERRC Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

Athens County School Employee Health and Welfare Benefit Association

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

NOTE 17 – GROUP PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 18 – SCHOOL FUNDING COURT DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed the earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 19 – CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

NOTE 20 – NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Disclosures." These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements are effective for the District's year ending June 30, 2004. The District has not completed an analysis of the impact of these statements on its reported financial condition and results of operations.

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	NA	10.550	\$0	\$21,694	\$0	\$21,694
National School Breakfast Program	05PU	10.553	59,379	0	59,379	0
National School Lunch Program	LLP4	10.555	169,547	0	169,546	0
Total United States Department of Agriculture			228,926	21,694	228,925	21,694
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education- Grants to States	6B-SF	84.027	156,666	0	174,406	0
Special Education- Preschool	PGS1	84.173	4,411	0	5,822	0
Total Special Education Cluster			161,077	0	180,228	0
Title 1	C1S1	84.010	403,443	0	403,484	0
Safe and Drug Free Schools	DRS1	84.186	10,825	0	18,040	0
Eisenhower Professional Development	MSS1	84.281	0	0	0	0
Innovative Education Program Strategy	C2S1	84.298	3,021	0	4,480	0
Education Technology State Grants	TJS1	84.318	2,097	0	0	0
Reading Excellence Act	RNS1	84.338	0	0	40,788	0
Class Size Reduction	CRS1	84.340	0	0	9,785	0
School Renovation, IDEA and Technology	ATS3	84.352A	19,429	0	58,979	0
Rural Education (REAP)	RUS1	84.358	19,180	0	16,150	0
Improving Teacher Quality State Grants	TRS1	84.367	123,189	0	109,652	0
Total United States Department of Education			742,261	0	841,586	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	NA	93.778	30,667	0	30,667	0
Total United States Department of Health and Human Services			30,667	0	30,667	0
Total Federal Financial Assistance			<u>\$1,001,854</u>	<u>\$21,694</u>	<u>\$1,101,178</u>	<u>\$21,694</u>

See Notes to the Schedule of Federal Awards Expenditures.
NA- Not Applicable

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. As of June 30, 2003, the District had no significant food commodities in inventory.

BALESTRA, HARR & SCHERER, CPAS, INC.

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Ohio Society of Certified Public Accountants

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Nelsonville-York City School District
Athens County
2 Buckeye Drive
Nelsonville, OH 45764

We have audited the general purpose financial statements of the Nelsonville-York City School District, Athens County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 12, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 12, 2003.

Nelsonville-York City School District
Athens County
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit
of Financial Statements Performed in Accordance With *Government Auditing Standards*
Page 2

This report is intended for the information and use of the District's audit committee, management, the Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

December 12, 2003

BALESTRA, HARR & SCHERER, CPAS, INC.

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Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Education
Nelsonville-York City School District
Athens County
2 Buckeye Drive
Nelsonville, OH 45764

Compliance

We have audited the compliance of the Nelsonville-York City School District, Athens County (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

December 12, 2003

NELSONVILLE-YORK CITY SCHOOL DISTRICT
ATHENS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133§.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(v)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(vi)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vii)	Are there any reportable findings under §.510?	No
(d)(1)(viii)	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA #84.010
(d)(1)(ix)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(x)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

None.

3. Findings for Federal Awards

None.



**Auditor of State
Betty Montgomery**

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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 15, 2004**