



**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Napoleon Area City School District
Henry County
710 Briarheath Drive
Napoleon, Ohio 43545-1245

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Napoleon Area City School District, Henry County, (the District) as of and for the year ended June 30, 2000, 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 general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 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 the District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 19 to the general-purpose financial statements, during the year ended June 30, 2000, the District changed the fund type classification of certain funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2001 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.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by 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, are fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

January 4, 2001

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**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,174,436	\$1,095,988	\$237,193	\$24,067
Cash and Cash Equivalents:				
With Fiscal Agents		504		
Receivables:				
Taxes	11,492,792		647,780	581,405
Accounts	344	110		
Accrued Interest	21,650			
Interfund Receivable	695,772	2,151		
Materials and Supplies Inventory	76,563			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	274,243			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount in Debt Service Fund for Retirement of Provided from General Government Resources				
Total Assets and Other Debits	<u>\$13,735,800</u>	<u>\$1,098,753</u>	<u>\$884,973</u>	<u>\$605,472</u>

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$43,133	\$127,781			\$2,702,598
				504
				12,721,977
				454
				21,650
				697,923
38,934				115,497
				274,243
231,909 (169,658)		\$15,775,075		16,006,984 (169,658)
			\$237,193	237,193
			9,051,030	9,051,030
\$144,318	\$127,781	\$15,775,075	\$9,288,223	\$41,660,395

(Continued)

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$17,851	\$7,350		
Accrued Wages and Benefits	1,410,887	27,117		
Compensated Absences Payable	11,537			
Interfund Payable	2,151	683,103		\$2,669
Intergovernmental Payable	205,167	9,220		1,778
Deferred Revenue	9,406,872		\$524,654	472,712
Due to Students				
Capital Leases Payable				
School Facilities Loan Payable				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	11,054,465	726,790	524,654	477,159
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	265,553	61,222		44,537
Reserved for Inventory	76,563			
Reserved for Debt Service Principal			237,193	
Reserved for Advances	695,772	2,151		
Reserved for Property Taxes	2,085,920		123,126	108,693
Reserved for Textbooks & Instructional Materials	481			
Reserved for Budget Stabilization	273,762			
Unreserved:				
Unreserved, Undesignated	(716,716)	308,590		(24,917)
Total Fund Equity and Other Credits	2,681,335	371,963	360,319	128,313
Total Liabilities, Fund Equity and Other Credits	\$13,735,800	\$1,098,753	\$884,973	\$605,472

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$2,879	\$265			\$28,345
40,076				1,478,080
7,635			\$1,073,790	1,092,962
10,000				697,923
22,771			82,610	321,546
14,533				10,418,771
	101,808			101,808
			3,690	3,690
			1,648,015	1,648,015
			831,052	831,052
			5,649,066	5,649,066
97,894	102,073		9,288,223	22,271,258
		\$15,775,075		15,775,075
46,424				46,424
	487			371,799
				76,563
				237,193
				697,923
				2,317,739
				481
				273,762
	25,221			(407,822)
46,424	25,708	15,775,075		19,389,137
\$144,318	\$127,781	\$15,775,075	\$9,288,223	\$41,660,395

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$5,690,719	\$884,191
Interest	212,630	4,283
Tuition and Fees	103,237	
Rent	1,005	
Extracurricular Activities		287,614
Gifts and Donations	3,000	26,379
Customer Services	10,237	8,175
Property and Other Local Taxes	9,106,298	
Miscellaneous	274,639	57,570
Total Revenues	<u>15,401,765</u>	<u>1,268,212</u>
Expenditures:		
Instruction:		
Regular	6,247,065	257,420
Special	977,558	327,572
Vocational	201,769	
Other	1,486,918	
Support services:		
Pupils	603,536	128,779
Instructional Staff	277,727	12,951
Board of Education	34,998	
Administration	1,101,287	9,404
Fiscal	463,688	10,979
Operation and Maintenance of Plant	1,064,342	3,319
Pupil Transportation	683,137	287
Central	193,341	87,911
Non-Instructional Services		28,009
Extracurricular activities	344,018	371,543
Capital Outlay	59,750	
Debt Service		
Debt Service - Principal	21,200	
Debt Service - Interest	1,240	
Total Expenditures	<u>13,761,574</u>	<u>1,238,174</u>
Excess of Revenues Over (Under) Expenditures	<u>1,640,191</u>	<u>30,038</u>
Other Financing Sources and Uses		
Operating Transfers In		5,000
Proceeds from Sale of Fixed Assets	26,839	952
Refund of Prior Year Expenditures	6,452	
Other Financing Sources		13,316
Operating Transfers Out	(151,867)	
Refund of Prior Year Receipts		(19,985)
Total Other Financing Sources (Uses)	<u>(118,576)</u>	<u>(717)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,521,615	29,321
Fund Balance at Beginning of Year	<u>1,159,720</u>	<u>342,642</u>
Fund Balance at End of Year	<u>\$2,681,335</u>	<u>\$371,963</u>

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$45,228	\$30,948	\$1,121	\$6,651,086
			218,034
	3,150		103,237
			4,155
			287,614
		2,347	31,726
583,277	414,736		18,412
		6,658	10,104,311
			338,867
<u>628,505</u>	<u>448,834</u>	<u>10,126</u>	<u>17,757,442</u>
		300	6,504,785
			1,305,130
			201,769
			1,486,918
	17,741		750,056
			290,678
			34,998
			1,110,691
13,103	8,569		496,339
	73,709		1,141,370
	92,004		775,428
	62,193		343,445
		34,403	62,412
		5,570	721,131
	18,372		78,122
175,000	234,227		430,427
278,586	44,480		324,306
<u>466,689</u>	<u>551,295</u>	<u>40,273</u>	<u>16,058,005</u>
<u>161,816</u>	<u>(102,461)</u>	<u>(30,147)</u>	<u>1,699,437</u>
	146,867		151,867
			27,791
			6,452
			13,316
			(151,867)
			(19,985)
	<u>146,867</u>		<u>27,574</u>
161,816	44,406	(30,147)	1,727,011
198,503	83,907	55,855	1,840,627
<u>\$360,319</u>	<u>\$128,313</u>	<u>\$25,708</u>	<u>\$3,567,638</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$5,341,367	\$5,690,719	\$349,352
Interest	150,000	191,330	41,330
Tuition and Fees	100,000	106,643	6,643
Rent		1,060	1,060
Extracurricular Activities			
Gifts and Donations	10,000	3,000	(7,000)
Customer Services	11,000	10,237	(763)
Property and Other Local Taxes	8,079,643	7,566,383	(513,260)
Miscellaneous		274,639	274,639
Total Revenues	<u>13,692,010</u>	<u>13,844,011</u>	<u>152,001</u>
Expenditures:			
Current:			
Instruction:			
Regular	6,380,970	6,305,526	75,444
Special	998,734	972,633	26,101
Vocational	230,622	210,085	20,537
Other	2,382,933	1,506,493	876,440
Support services:			
Pupils	670,303	638,028	32,275
Instructional Staff	286,912	281,697	5,215
Board of Education	37,854	35,224	2,630
Administration	1,152,824	1,112,705	40,119
Fiscal	482,405	459,366	23,039
Operation and Maintenance of Plant	1,288,092	1,241,134	46,958
Pupil Transportation	765,030	739,538	25,492
Central	231,275	201,290	29,985
Non-Instructional Services			
Extracurricular activities	339,488	336,702	2,786
Capital Outlay	95,294	90,200	5,094
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>15,342,736</u>	<u>14,130,621</u>	<u>1,212,115</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,650,726)</u>	<u>(286,610)</u>	<u>1,364,116</u>
Other Financing Sources and Uses			
Operating Transfers In	50,490		(50,490)
Proceeds from Sale of Fixed Assets		26,839	26,839
Refund of Prior Year Expenditures		11,896	11,896
Advances In	330,000		(330,000)
Other Financing Sources			
Operating Transfers Out	(230,000)	(151,867)	78,133
Refund of Prior Year Receipts			
Advances Out	(15,000)	(10,000)	5,000
Total Other Financing Sources (Uses)	<u>135,490</u>	<u>(123,132)</u>	<u>(258,622)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,515,236)</u>	<u>(409,742)</u>	<u>1,105,494</u>
Fund Balances at Beginning of Year	1,382,050	1,382,050	
Prior Year Encumbrances Appropriated	193,025	193,025	
Fund Balance at End of Year	<u>\$59,839</u>	<u>\$1,165,333</u>	<u>\$1,105,494</u>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$840,336	\$725,926	(\$114,410)	\$45,000	\$45,228	\$228
2,350	4,283	1,933			
309,192	287,644	(21,548)			
31,925	26,379	(5,546)			
1,800	8,175	6,375			
73,025	53,945	(19,080)	463,335	494,519	31,184
1,258,628	1,106,352	(152,276)	508,335	539,747	31,412
425,732	272,052	153,680			
360,917	262,930	97,987			
108,418	65,746	42,672			
19,658	6,600	13,058			
12,531	8,971	3,560			
12,250	10,979	1,271	15,750	13,103	2,647
6,109	4,045	2,064			
981		981			
101,600	101,501	99			
15,447	7,384	8,063			
519,192	397,287	121,905			
			175,000	175,000	
			278,586	278,586	
1,582,835	1,137,495	445,340	469,336	466,689	2,647
(324,207)	(31,143)	293,064	38,999	73,058	34,059
700	8,625	8,625			
	952	252			
9,000		(9,000)			
44,725	13,316	(31,409)			
(20,017)	(19,985)	32			
34,408	2,908	(31,500)			
(289,799)	(28,235)	261,564	38,999	73,058	34,059
983,085	983,085		164,135	164,135	
72,568	72,568				
\$765,854	\$1,027,418	\$261,564	\$203,134	\$237,193	\$34,059

(Continued)

**NAPOLEON CITY SCHOOL DISTRICT
HENRY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$24,500	\$30,949	\$6,449
Interest			
Tuition and Fees			
Rent	3,000	3,150	150
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes	426,199	323,141	(103,058)
Miscellaneous			
Total Revenues	<u>453,699</u>	<u>357,240</u>	<u>(96,459)</u>
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational	719		719
Other			
Support services:			
Pupils	25,183	24,544	639
Instructional Staff			
Board of Education			
Administration			
Fiscal	8,825	8,569	256
Operation and Maintenance of Plant	106,006	102,181	3,825
Pupil Transportation	93,000	92,004	996
Central	66,000	63,240	2,760
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	158,500	157,895	605
Debt Service			
Debt Service - Principal	102,387	102,387	
Debt Service - Interest	44,480	44,480	
Total Expenditures	<u>605,100</u>	<u>595,300</u>	<u>9,800</u>
Excess of Revenues Over (Under) Expenditures	<u>(151,401)</u>	<u>(238,060)</u>	<u>(86,659)</u>
Other Financing Sources and Uses			
Operating Transfers In	146,867	146,867	
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures		55,000	55,000
Advances In			
Other Financing Sources			
Operating Transfers Out			
Refund of Prior Year Receipts			
Advances Out			
Total Other Financing Sources (Uses)	<u>146,867</u>	<u>201,867</u>	<u>55,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(4,534)</u>	<u>(36,193)</u>	<u>(31,659)</u>
Fund Balances at Beginning of Year	4,529	4,529	
Prior Year Encumbrances Appropriated	11,194	11,194	
Fund Balance at End of Year	<u>\$11,189</u>	<u>(\$20,470)</u>	<u>(\$31,659)</u>

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

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$1,170	\$1,121	(\$49)	\$6,251,203	\$6,492,822	\$241,619
			153,520	196,734	43,214
			100,000	106,643	6,643
			3,000	4,210	1,210
36,250	2,347	(33,903)	309,192	287,644	(21,548)
			78,175	31,726	(46,449)
			12,800	18,412	5,612
8,200	6,658	(1,542)	8,969,177	8,384,043	(585,134)
			81,225	335,242	254,017
<u>45,620</u>	<u>10,126</u>	<u>(35,494)</u>	<u>15,958,292</u>	<u>15,857,476</u>	<u>(100,816)</u>
300	300		6,807,002	6,577,878	229,124
			1,359,651	1,235,563	124,088
			231,341	210,085	21,256
			2,382,933	1,506,493	876,440
			803,904	728,318	75,586
			306,570	288,297	18,273
			37,854	35,224	2,630
			1,165,355	1,121,676	43,679
			519,230	492,017	27,213
			1,400,207	1,347,360	52,847
			859,011	831,542	27,469
39,550	34,824	4,726	398,875	366,031	32,844
13,045	6,182	6,863	54,997	42,208	12,789
			871,725	740,171	131,554
			253,794	248,095	5,699
			277,387	277,387	
			323,066	323,066	
<u>52,895</u>	<u>41,306</u>	<u>11,589</u>	<u>18,052,902</u>	<u>16,371,411</u>	<u>1,681,491</u>
<u>(7,275)</u>	<u>(31,180)</u>	<u>(23,905)</u>	<u>(2,094,610)</u>	<u>(513,935)</u>	<u>1,580,675</u>
			197,357	155,492	(41,865)
			700	27,791	27,091
				66,896	66,896
			339,000		(339,000)
			44,725	13,316	(31,409)
			(230,000)	(151,867)	78,133
			(20,017)	(19,985)	32
			(15,000)	(10,000)	5,000
			<u>316,765</u>	<u>81,643</u>	<u>(235,122)</u>
(7,275)	(31,180)	(23,905)	(1,777,845)	(432,292)	1,345,553
54,006	54,006		2,587,805	2,587,805	
2,395	2,395		279,182	279,182	
<u>\$49,126</u>	<u>\$25,221</u>	<u>(\$23,905)</u>	<u>\$1,089,142</u>	<u>\$2,434,695</u>	<u>\$1,345,553</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$425,295
Other Revenues	47,413
	472,708
Operating Expenses	
Salaries	239,014
Fringe Benefits	89,572
Purchased Services	9,132
Materials and Supplies	310,656
Depreciation	12,993
Other	45,118
	706,485
Operating Loss	(233,777)
Non-Operating Revenues	
Federal Donated Commodities	70,961
Interest	2,104
Federal and State Subsidies	143,420
Others	16,409
	232,894
Net Loss	(883)
Retained Earnings at Beginning of Year	47,307
Retained Earnings at End of Year	\$46,424

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**COMBINED STATEMENT OF CASH FLOW
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	Enterprise
Cash Flows from Operating Activities:	
Cash Received from Sales	\$425,497
Cash Received from Charges for Services	
Other Cash Receipts	47,413
Cash Payments to Suppliers for Goods and Service	(254,851)
Cash Payments for Contract Services	(9,132)
Cash Payments for Employee Services	(228,375)
Cash Payments for Employee Benefits	(108,855)
Other Cash Payments	(45,118)
	(173,421)
Net Cash Used by Operating Activities	
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	143,420
Other	16,409
Advances In	10,000
	169,829
Net Cash Provided by Noncapital Financing Activities	
Cash Flows from Investing Activities:	
Interest Received	2,104
	2,104
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(1,760)
	(1,760)
Net Cash Used by Capital and Related Financing Activities	
Net Increase (Decrease) in Cash and Cash Equivalents	(3,248)
Cash and Cash Equivalents at Beginning of Year	46,381
	43,133
Cash and Cash Equivalents at End of Year	\$43,133

(Continued)

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**COMBINED STATEMENT OF CASH FLOW
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

	Proprietary Fund Type
	Enterprise
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Loss	(\$233,777)
Adjustments to Reconcile Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation	12,993
Donated Commodities Used During the Year	70,961
(Increase) Decrease in Assets:	
Accounts Receivable	202
Material and Supplies Inventory	(13,026)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	(5,666)
Intergovernmental Payable	(7,329)
Deferred Revenue	(4,812)
Accrued Wages and Benefits	4,351
Accounts Payable	2,682
Total Adjustments	(\$173,421)

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Napoleon Area City School District (the District) operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board of Education (the Board) oversees the operations of the District's five instructional and support facilities.

The Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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. 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 does not have any component units. The following organizations are not part of the reporting entity and are excluded from the accompanying financial statements:

Non-Public Schools - Within the City boundaries, non-public schools are operated by religious organizations. Current state legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the District. The accounting for these school operations is reflected as part of the Special Revenue Funds of the District.

The District is associated with six organizations, which are defined as jointly governed organizations or group purchasing pools. These organizations include the Northwest Ohio Computer Association (NWOCA), Northern Buckeye Educational Council, Four County Career Center, (formerly known as the Four County Joint Vocational School), Cisco Academy of Northwest Ohio, NBEC Employee Insurance Benefits Program, and the NBEC Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 12 and 13 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Napoleon Area City School District have been prepared in conformity with general 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 issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

A. Basis of Accounting

The modified accrual basis of accounting is followed for Governmental, Expendable Trust, and Agency Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a. Revenue accrued at the end of the year included taxes, interest, student fees, and tuition.
 - b. Property taxes measurable but not available as of June 30, 2000 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.
4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions:
 - a. General long-term obligation principal and interest are reported only when due.
 - b. The current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Fund Types

The funds through which most District's functions are typically financed.

General Fund - The fund is used to account for all financial resources except those required to be accounted for in other funds. The General Fund is the general operating fund of the District.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Special Revenue Funds - The funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - The fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

Capital Projects Funds - The 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).

2. Fiduciary Funds

The funds are used to account for assets not owned by the District, but held for a separate entity.

Trust Funds - The funds used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust funds.

Agency Funds - The funds used to account for assets held by the District as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

3. Proprietary Fund Types

The funds are used to account for Board activities that are similar to business operations in the private sector. Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

Enterprise Funds - The funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

4. Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

C. Budgetary Accounting

Budgets are adopted on a cash (Non-GAAP) basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. The Title VI-B Flow Thru Grant, Eisenhower Math-Science Grant, and Federal Preschool Grant special revenue funds pass through grants in which the Northwest Ohio Educational Service Center is the primary recipient. Budgetary information for these funds is included within the District's reporting entity for which the "appropriated budget" is adopted. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits 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. Advance notification of a public hearing is publicized, and the hearing is conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the Henry County Budget Commission for rate determination.
3. 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 states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.
7. The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally, accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:
 - a. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
 - b. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

An analysis of the difference between GAAP and budgetary basis for all governmental fund types and expendable trust funds for the year ended June 30, 2000 follows:

	Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budgetary Basis	(\$409,742)	(\$28,235)	\$73,058	(\$36,193)	(\$31,180)
Adjustments for:					
Revenue Accruals	1,557,754	161,860	88,758	91,594	
Expenditure Accruals	85,701	(169,252)		(532)	546
Other Financing Sources	4,556	(3,625)		(55,000)	
Encumbrances	283,346	68,573		44,537	487
GAAP Basis	<u>\$1,521,615</u>	<u>\$29,321</u>	<u>\$161,816</u>	<u>\$44,406</u>	<u>(\$30,147)</u>

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Pooled Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 2000, investments were limited to certificates of deposit and STAR Ohio.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$212,630, which includes \$103,418 assigned from other funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

of three months or less at the time they are purchased by the District are considered to be cash equivalents.

F. Inventory

Inventories are valued at cost (first in, first out) and are determined by physical count. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500, except for the cost of textbooks and library books. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy. No depreciation is recognized for assets in General Fixed Assets Account Group. The District does not have any infrastructure in the General Fixed Assets Account Group.

Public Domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. The District does not have any infrastructure.

2. Proprietary Funds

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of five to twenty years.

H. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs, categorized as follows:

ENTITLEMENTS

General Fund
State Foundation Program

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NON-REIMBURSABLE GRANTS

Special Revenue Funds

Venture Capital Grant
Auxiliary Services
Professional Development Grant
Education Management Information System
Disadvantaged Pupil Impact Aid
School Net Tech Training
Instructional Material/Textbook Subsidy
Ohio Reads
Dwight D. Eisenhower Professional Development Program
ESEA Title I
Title VI - Innovative Education Program
Safe, Drug Free Schools and Communities Grant Program
School To Work Grant

Capital Projects Fund

School Net Plus

REIMBURSABLE GRANTS

General Fund

Driver Education Reimbursement

Special Revenue Fund

Asbestos Abatement Program

Capital Projects Fund

Vocational Education Equipment Fund

Enterprise Fund

National School Lunch Program

I. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as due to and due from other funds.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

J. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type elimination's have not been made in the combining of the data.

K. Concentration of Credit Risk

Financial instruments, which potentially subject the District to concentrations of credit risk, consist primarily of taxes receivable. The District performs evaluations of collections and maintains a reserve for potential credit losses.

L. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 2000.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absence is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In Proprietary Funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District for the purchase of textbooks and to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization, textbook purchases, debt service, and advances to other funds.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

O. 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.

3. EQUITY IN POOLED CASH AND EQUIVALENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentality's.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

Cash on Hand At fiscal year end, the District had \$504 in cash with fiscal agent held by the Northwest Ohio Educational Service Center. This amount is included on the balance sheet as "cash and cash equivalents with fiscal agent".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits At fiscal year end, the carrying amount of the District's deposits was \$1,823,703 and the bank balance was \$2,167,335. Of the bank balance, \$230,339 was covered by federal depository insurance, \$400,000 was covered by collateral held in the pledging financial institution's trust department in the District's name, and \$1,536,996 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District 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 which 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 investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investments since it is not evidenced by securities that exist in physical or book entry form.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	Carrying Value	Fair Value
Totals	<u>\$1,153,138</u>	<u>\$1,153,138</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 classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No.9	\$2,976,841	
Investments:		
STAR Ohio	(1,153,138)	\$1,153,138
GASB Statement 3	<u>\$1,823,703</u>	<u>\$1,153,138</u>

4. PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	October 1 of the year preceding the collection year

Public utility tangible personal property currently is assessed at 88 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

The County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September.

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2000. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2000.

The assessed values of properties upon which property tax revenues were based are as follows:

	Amount
Agricultural/Residential	\$160,468,220
Commercial/Industrial	28,351,430
Public Utility Personal Property	9,436,040
General Personal Property	63,866,538
Total valuation	\$262,122,228

5. FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

Asset Category	Balance at 6/30/99	Additions	Disposals	Balance at 6/30/00
Land and Improvements	\$254,550			\$254,550
Buildings	10,686,799			10,686,799
Furniture and Equipment	3,505,131	\$201,717	\$796,014	2,910,834
Vehicles	1,066,273	66,374	56,017	1,076,630
Text and Library Books	904,762		58,500	846,262
Totals	\$16,417,515	\$268,091	\$910,531	\$15,775,075

The District has \$135,009 of fixed assets listed on its books for assets held by the parochial schools. The fixed assets are included on the District's books because the District has the liability to insure the assets.

A summary of Enterprise Fund fixed assets is as follows:

Asset Category	Balance at 6/30/00
Furniture and Equipment	\$231,909
Less: Accumulated Depreciation	(169,658)
Totals	\$62,251

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. GENERAL LONG-TERM OBLIGATIONS

During the year ended June 30, 2000, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 6/30/99	Additions	Deductions	Balance at 6/30/00
General Obligation Bonds:				
School Facilities Construction and Improvement Bonds	\$5,630,000		\$175,000	\$5,455,000
Capital Appreciation	164,774	\$29,292		194,066
General Obligation Notes:				
EPA Asbestos Loan	1,779,856		131,841	1,648,015
Energy Conservation Loan	933,439		102,387	831,052
Total Long-Term Notes	<u>8,508,069</u>	<u>29,292</u>	<u>409,228</u>	<u>8,128,133</u>
Capital Lease Obligation	24,890		21,200	3,690
Pension Obligation	81,444	1,166		82,610
Compensated Absences	1,007,503	66,287		1,073,790
Total Long-Term Obligations	<u>\$9,621,906</u>	<u>\$96,745</u>	<u>\$430,428</u>	<u>\$9,288,223</u>

At June 30, 2000, interest rates and maturity dates, respectively, are as follows:

School Facilities and Improvement Bonds	5.409%	June 2019
EPA Asbestos Loan	N/A	May 2013
Energy Conservation Loan	5.0%	March 2007

Interest expenditures totaled \$324,306 for the year ended June 30, 2000.

The following summarizes future minimum debt payments at June 30, 2000:

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$434,587	\$310,116	\$744,703
2002	450,100	296,201	746,301
2003	470,895	281,265	752,160
2004	491,927	265,219	757,146
2005	518,386	247,731	766,117
thereafter	5,762,238	2,884,108	8,646,346
Total	<u>\$8,128,133</u>	<u>\$4,284,640</u>	<u>\$12,412,773</u>

Obligations Under Capital Leases

The District has entered into agreements to lease modular classrooms, copiers and various musical instruments. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one

**NAPOLEON AREA CITY SCHOOL DISTRICT
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which transfers benefits and risks of ownership to the lessee. Principal lease payments in fiscal year 2000 totaled \$21,200, and are recorded as "Debt Service Principal Retirement" in the General Fund.

The following is a schedule of both the future minimum lease payments and the present value of future minimum lease payments required under the capital leases as of June 30, 2000:

Fiscal Year Ending June 30,	GLTOAG
2001	\$3,740
Less: Amount Representing Interest	(50)
Present Value of Future Minimum Lease Payments	\$3,690

7. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 5 to 20 days. Employees with less than one year of service earn one vacation day per month worked, not to exceed five days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to a teacher upon retirement is limited to 25% of the accumulated sick leave to a maximum of 48.75 days. The amount paid to an administrator or the treasurer upon retirement is limited to 22% of the accumulated sick leave to a maximum of 45.1 days. The amount paid to a classified employee upon retirement is limited to 25% of the accumulated sick leave up to 120 days, and 10% of any accumulated sick leave above 120 days, and 10% of any accumulated sick leave above 120 days. The amount paid to a supervisor upon retirement is limited to 22% of the accumulated sick leave. The amount paid to a confidential employee with a minimum of 5 years of service upon retirement is limited to 22% of the accumulated sick leave.

At June 30, 2000 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$11,537 and \$1,073,790, respectively. The liability for compensated absences in the proprietary funds at June 30, 2000 was \$7,635.

Effective November 2, 1997, the Board implemented a retirement incentive plan (Plan) for all STRS members who meet the eligibility requirements and elect to participate. The Plan is in effect until June 30, 2001. STRS members who qualify for the Plan must either:

- a. Be eligible for retirement when the Plan becomes effective and retire by June 1 or
- b. Give notice of intent to retire by March 1 of the year in which they become eligible to retire and retire at the end of the school year in which notice of intent to retire was given.

Qualifying members who elect to participate receive a service retirement recognition stipend of \$9,000 (one time cash payment). At June 30, 2000, no members had elected to retire on or before June 1, 2001.

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8. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. 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 the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$239,352, \$243,049, and \$210,313, respectively; 52 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$115,386 representing unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account.

B. State Teachers Retirement System

The District participates in 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 E. Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$1,018,572, \$1,114,667, and \$973,568, respectively; 84 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$169,056 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

9. 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-certified employees and

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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 obligation 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 State Teachers Retirement 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 the 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 the year ended June 30, 2000, the Board allocated employer contributions to equal eight percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$582,041 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more 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.

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$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, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$131,835 during the 2000 fiscal year.

10. RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has entered into contracts with various insurance agencies for the following amounts of coverage and deductibles:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property (building and contents)	\$32,764,200	\$500
Boiler	14,159,000	1,000/5,000
Liability	5,000,000 aggregate	
	2,000,000 per occurrence	

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(Continued)**

Vehicle/Bus	5,000,000	bodily injury	100
	5,000,000	property damage	
	5,000,000	uninsured motorist	
	5,000	medical payments	
Employer Benefits Liability	500,000		1,000
Fire Damage	100,000		0
EDP Equipment	300,000		100
Band Instruments	217,074		0

Settled claims have not exceeded commercial coverage in any of the past three years.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 13). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

11. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains three Enterprise Funds, which provide lunchroom/cafeteria, uniform school supply services and rotary services. Segment information for the year ended June 30, 2000 was as follows:

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	Food Service	Uniform School Supplies	Rotary Fund	Total Enterprise Funds
Operating Revenues	\$348,046	\$77,829	\$46,833	\$472,708
Depreciation	12,993			12,993
Operating Income (Loss)	(243,224)	8,342	1,105	(233,777)
Donated Commodities	70,961			70,961
Grants	143,420			143,420
Interest	1,683		421	2,104
Other	16,409			16,409
Net Income (Loss)	(10,751)	8,342	1,526	(883)
Fixed Asset Additions	1,760			1,760
Net Working Capital	(39,088)	19,407	3,854	(15,827)
Total Assets	108,178	32,039	4,101	144,318
Total Liabilities	85,015	12,632	247	97,894
Total Equity	23,163	19,407	3,854	46,424

12. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Wood and Williams Counties. 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 school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$45,811. Financial information can be obtained from Michele Zeedyk, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during this fiscal year were \$4,165. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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C. Four County Career Center

The Four County Career Center, (formerly known as Four County Joint Vocational School) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Joint Vocational School, Michele Zeedyk, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

D. Cisco Academy of Northwest Ohio

The Cisco Academy of Northwest Ohio (the Academy) was established July 1, 1998 to foster cooperation toward joint training and other joint activities of mutual interest among certain educational entities located in Northwest Ohio. The Academy is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by representatives of the member educational entities. The Academy is governed by a management council consisting of a representative appointed from each participating member educational entity. The Board of Education of the Four County Career Center has been designated fiscal agent for the Academy. Financial information can be obtained from Michele Zeedyk, who serves as treasurer of the Four County Career Center, at 22-900 State Route 34, Archbold, Ohio 43502.

13. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$752,798. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC 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 Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$1,834 to the WCGRP to cover the costs of administering the program.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

14. RELATED ORGANIZATION

Napoleon Public Library

The Napoleon Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Napoleon Area City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires, and fires personnel, and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Napoleon Public Library, John Yeager, Clerk/Treasurer, at 310 West Clinton Street, Napoleon, Ohio 43545.

15. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2000 consist of the following individual fund receivables and payables:

	Due From Other Funds	Due to Other Funds
General Fund	\$695,772	\$2,151
Special Revenue	2,151	683,103
Capital Projects		2,669
Enterprise		10,000
Total All Funds	\$697,923	\$697,923

Transfers between funds during the year ended June 30, 2000, were as follows:

	Transfers In	Transfers Out
General Fund		\$151,867
Special Revenue	\$5,000	
Capital Projects	146,867	
Total All Funds	\$151,867	\$151,867

16. CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

B. Litigation

The District is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations. Although the outcome of these suits are not presently determinable, management believes that the resolution of these matters will not materially affect the District's financial condition.

17. SET-ASIDE CALCULATIONS AND FUND RESERVES

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 year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999			\$165,030	
Current Year Set-aside Requirement	\$326,195	\$326,195	108,732	
Current Year Offsets		(323,141)		
Qualifying Disbursements	<u>(325,714)</u>	<u>(59,750)</u>		
Total	<u>\$481</u>	<u>(\$56,696)</u>	<u>\$273,762</u>	
Cash Balance Carried Forward to FY 2001	<u>\$481</u>		<u>\$273,762</u>	
Amount restricted for Textbooks				\$481
Amount restricted for Budget Stabilization				<u>273,762</u>
Total Restricted Assets				<u>\$274,243</u>

Although the District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount to below zero, the extra amounts may not be used to reduce the set-aside requirement of future years. The negative amount is therefore not presented as being carried forward to the next year.

18. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$5,015,685 of school foundation support for its general fund.

**NAPOLEON AREA CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found "seven major areas warrant further attention, study, and development by the General Assembly," including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

19. ACCOUNTABILITY AND COMPLIANCE

A. Compliance

At June 30, 2000, the Children's Trust, Educational Asbestos Grant, and Vocational Equipment State Grant funds had deficit fund balances of \$122, \$142 and \$270 respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

Revenues collected in the Capital Projects Fund type were less than the amounts included in an official certification to county budget commission. This deficiency was not certified to the county budget commission according to the requirements of Ohio Rev. Code Section 5705.36.

B. Fund Reclassification

Certain funds, previously classified in the Internal Service fund type, were changed to General, Special Revenue and Enterprise fund types. The effects of this change on the fund balances/retained earnings and excess (deficit) of revenues and other sources over (under) expenditures and other uses / net loss of General, Special Revenue, Enterprise and Internal Service fund types are as follows:

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(Continued)**

	Beginning Fund Balance/ Retained Earnings	Excess (Deficit) of Revenues and Other Sources Over (Under) Expenditures and Other Uses / Net loss
<u>General Fund</u>		
Amount as previously reported	\$1,158,990	(\$100,237)
Fund Reclassification	730	(105)
Restated, Amount at June 30, 1999	<u>\$1,159,720</u>	<u>(\$100,342)</u>
 <u>Special Revenue Fund</u>		
Amount as previously reported	\$331,572	\$137,690
Fund Reclassification	11,070	(1,596)
Restated, Amount at June 30, 1999	<u>\$342,642</u>	<u>\$136,094</u>
 <u>Enterprise Fund</u>		
Amount as previously reported	\$46,273	(\$4,551)
Fund Reclassification	1,034	(149)
Restated, Amount at June 30, 1999	<u>\$47,307</u>	<u>(\$4,700)</u>
 <u>Internal Service Funds</u>		
Amount as previously reported	\$12,834	(\$1,850)
Fund Reclassification	(12,834)	1,850
Restated, Amount at June 30, 1999	<u> </u>	<u> </u>

20. SUBSEQUENT EVENTS

A local industry and the Ohio Department of Taxation are waiting for a decision from the Ohio Supreme Court regarding the manner in which automated data processing equipment is being classified for the purpose of determining a valuation in the calculation of personal property taxes. Personal property taxes on this equipment have not been paid while awaiting this decision. As of June 30, 2000, the total amount of delinquent personal property taxes due the District is \$1,695,191 which represents \$1,540,051, \$75,678 and \$79,462 to the General, Bond Retirement and Permanent Improvement Funds taxes receivables, respectively.

**NAPOLEON AREA CITY SCHOOL DISTRICT
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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
Nutrition Cluster:		
Food Distribution Program	N/A	10.550
National School Lunch Program	4438-03-PU-00	10.555
Total U.S. Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
Grants to Local Educational Agencies (ESEA Title I)	44438-C1-S1-98c 44438-C1-S1-99c 44438-C1-S1-99 44438-C1-S1-00	84.010
Safe and Drug-Free Schools and Communities-States Grants	44438-DR-S1-99 44438-DR-S1-00	84.186
Eisenhower Professional Development State Grants	44438-MS-S1-99 44438-MS-S1-00	84.281
Innovative Educational Program Strategies	44438-C2-S1-98 44438-C2-S1-99 44438-C2-S1-00	84.298
Technology Literacy Challenge Fund Grants	44438-TF-S1-99 44438-TF-S1-00 44438-TF-S1-01	84.318
Title VI-R Class Size Reduction Grant	44438CR-S1-00	84.340
Total Department of Education		
UNITED STATES DEPARTMENT OF LABOR		
<i>Passed Through Ohio Department of Education:</i>		
Employment Services and Job Training - Pilot and Demonstration Programs	44438-WK-BE-00	17.249
Total United States Department of Labor		
Totals		

The accompanying notes are an integral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$84,606		\$89,418
<u>\$136,547</u>		<u>\$136,547</u>	
<u>136,547</u>	<u>84,606</u>	<u>136,547</u>	<u>89,418</u>
17,201		2	
		11,306	
		61,796	
<u>137,466</u>		<u>105,068</u>	
<u>154,667</u>		<u>178,172</u>	
		748	
<u>10,736</u>		<u>8,697</u>	
<u>10,736</u>		<u>9,445</u>	
		11,502	
<u>7,838</u>		<u>5,362</u>	
<u>7,838</u>		<u>16,864</u>	
		4,631	
<u>1,971</u>		<u>6,608</u>	
<u>8,621</u>		<u>1,962</u>	
<u>10,592</u>		<u>13,201</u>	
		62,500	
<u>37,500</u>		<u>18,449</u>	
<u>25,000</u>			
<u>62,500</u>		<u>80,949</u>	
<u>34,120</u>		<u>27,742</u>	
<u>280,453</u>		<u>326,373</u>	
		10,000	
		10,000	
<u>\$417,000</u>	<u>\$84,606</u>	<u>\$472,920</u>	<u>\$89,418</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary 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. At June 30, 2000, the District had food commodities valued at \$19,345 in inventory



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Napoleon Area City School District
Henry County
710 Briarheath Drive
Napoleon, Ohio 43545-1245

To the Board of Education:

We have audited the financial statements of Napoleon Area City School District, Henry County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 4, 2001, which report noted a change in fund classification for certain funds. We conducted our audit in accordance with generally accepted auditing standards 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 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10135-001 and 2000-10135-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 4, 2001.

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 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 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 material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 4, 2001.

Napoleon Area City School District
Henry County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of 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.

Jim Petro
Auditor of State

January 4, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Napoleon Area City School District
Henry County
710 Briarheath Drive
Napoleon, Ohio 43545-1245

To the Board of Education:

Compliance

We have audited the compliance of Napoleon Area City School District, Henry 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 is applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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 generally accepted auditing standards; 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 on 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 each of its major federal programs for the year ended June 30, 2000.

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.

Napoleon Area City School District
Henry County
Report of Independent Accountants on Compliance with Requirements
Applicable to the Major Federal Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133
Page 2

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 for the information and use of 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.

Jim Petro
Auditor of State

January 4, 2001

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<u>Nutrition Cluster</u> Food Distribution Program CFDA #10.550 National School Lunch Program CFDA #10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2000-10135-001

Noncompliance Citation

Ohio Revised Code § 5705.36 (A) (4) states upon the determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

**FINDING NUMBER 2000-10135-001
(Continued)**

The actual amounts available in the capital projects fund for fiscal year 2000 (\$563,636) were less than the amount included in the official certificate (\$605,095.) Appropriations (\$605,100) and Expenditures (\$584,106) excluding prior year carryover and including outstanding encumbrances were in excess of the actual amounts available for expenditure. This resulted in a negative unencumbered fund balance for the capital projects fund type at June 30, 2000 of \$20,470.

The fiscal officer should have requested a reduced amended certificate from the county auditor to lower the official estimate to actual amounts available. Appropriations should have then been amended to the official estimate. These changes could have prevented recording an encumbrance which caused a negative unencumbered fund balance at June 30, 2000.

FINDING NUMBER 2000-10135-002

Noncompliance Citation

Ohio Administrative Code § 117-2-12 (A) & (B), [replaced by Ohio Administrative Code § 117-2-02, as of July 1, 2000] states each District shall maintain a receipts ledger which shall contain a separate sheet for each account established by the District. The District shall post to each receipts account the estimated amount of money to be received into the account as specified by the county budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources.

In fiscal year 2000, the Capital Projects Fund Types had revenue of \$118,307, respectively, which was included in the District's Official Certificate of Estimated Resources, but this amount was not recorded in the District's accounting system.

This resulted in budget revenues on the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget an Actual" being understated for this fund type. We adjusted the accompanying financial statements to reflect the actions of the Board of Education.

Inaccurate budget to actual comparisons could cause management to draw incorrect conclusions regarding financial position.

We recommend that the taxes revenue and total other sources revenue amounts posted to the revenue history reports should be reconciled with the taxes revenue and total other sources revenue amounts officially approved on the Amended Certificates of Estimated Resources

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-10135-001	ORC § 5705.41(D) improper fiscal officer certification of certain expenditures.	Yes	



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NAPOLEON AREA CITY SCHOOL DISTRICT

HENRY 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 30, 2001**