



Dave Yost • Auditor of State

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	9
Statement of Activities.....	10
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in the Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis) General Fund	15
Statement of Fiduciary Assets - Fiduciary Funds	16
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund	17
Notes to the Basic Financial Statements	19
Federal Awards Receipts and Expenditures Schedule.....	47
Notes to the Federal Awards Receipts and Expenditures Schedule	48
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	51
Schedule of Findings.....	53
Corrective Action Plan.....	57
Schedule of Prior Audit Findings.....	59

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	61



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Napoleon Area City School District
Henry County
701 Briarheath Drive
Napoleon, Ohio 43545-1298

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 23, during fiscal year 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2012, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 14, 2012

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The discussion and analysis of the financial performance of Napoleon Area City School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

The District retired \$405,000 in general obligation bonds from amounts accumulated in the Bond Retirement Fund.

In total, net assets increased \$760,452.

General revenues accounted for \$20,012,203, or 82 percent of all revenues, and reflect the District's significant dependence on property taxes and unrestricted state entitlements. Program specific revenues in the form of charges for services and sales, and operating grants, and contributions accounted for \$4,397,530 or 18 percent of total revenues of \$24,409,733.

The District's major fund is the General Fund. The General Fund had \$19,925,364 in revenues and \$19,794,962 in expenditures and other financing uses. The General Fund's fund balance increased \$130,402 from the prior fiscal year.

The fiscal condition of the State of Ohio is a major concern for the District and could significantly impact future operations.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For the District, the General Fund is the most significant fund.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses its governmental activities, which include all of the District's programs and services including, instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental fund is the General Fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2011 compared to fiscal year 2010.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Table 1

Net Assets		
Governmental Activities		
	2011	2010
<u>Assets</u>		
Current and Other Assets	\$24,188,279	\$23,583,345
Capital Assets, Net	9,243,418	9,564,760
Total Assets	33,431,697	33,148,105
<u>Liabilities</u>		
Current and Other Liabilities	12,931,409	12,657,159
Long-Term Liabilities	7,150,643	7,901,753
Total Liabilities	20,082,052	20,558,912
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	4,943,446	4,799,169
Restricted	1,887,501	688,044
Unrestricted	6,518,698	7,101,980
Total	\$13,349,645	\$12,589,193

Total assets increased by \$283,592 (less than 1 percent). The increase in total assets was insignificant. Total liabilities decreased by \$476,860 (2.3 percent). This is due to a decrease in long-term debt. Total net assets increased by \$760,452 due to the effect of the continuing operating levy passed in 2008 and federal stimulus funds received in fiscal year 2011.

Table 2 reflects the changes in net assets for fiscal year 2011 compared to fiscal year 2010.

**Table 2
Change in Net Assets
Governmental Activities**

	2011	2010
<u>Revenues</u>		
Program Revenues:		
Charges for Services and Sales	\$1,617,251	\$1,481,469
Operating Grants, Contributions and Interest	2,780,279	3,024,603
Total Program Revenues	4,397,530	4,506,072
General Revenues:		
Property Taxes	8,296,234	8,625,317
Grants and Entitlements	11,436,433	11,477,262
Interest	88,110	100,443
Gifts and Donations	142,048	70,470
Miscellaneous	49,378	58,479
Total General Revenues	20,012,203	20,331,971
Total Revenues	24,409,733	24,838,043

(Continued)

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

**Table 2
Change in Net Assets
Governmental Activities
(Continued)**

	2011	2010
<u>Program Expenses</u>		
Instruction	13,390,771	13,697,485
Support Services:		
Pupils	1,090,087	1,289,480
Instructional Staff	1,102,841	1,041,198
Board of Education	48,844	45,763
Administration	1,631,641	1,858,647
Fiscal	674,598	637,877
Operation and Maintenance of Plant	2,064,320	1,825,944
Pupil Transportation	1,254,295	1,014,214
Central	422,714	377,147
Non-Instructional	999,354	981,842
Extracurricular Activities	719,417	790,435
Interest and Fiscal Charges	250,399	329,471
Total Program Expenses	23,649,281	23,889,503
Increase in Net Assets	\$760,452	\$948,540

Total revenues decreased by \$428,310 (1.7 percent) due to the decrease in property taxes and operating grants.

Program revenues account for 18 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees, extracurricular activities, and food service sales.

Total expenditures decreased by \$240,222 (1.0 percent) due largely to the decrease in instruction. Pupils and administration also had significant decreases from the prior year while instructional staff and pupil transportation had significant increases from the prior year. The net result of these changes had little effect on total expenditures. These changes in the types of expenditures were due largely to the new grants for fiscal year 2011 as well as the reduction of administration.

The major program expenses for governmental activities are for instruction, which accounts for 57 percent of all governmental expenses. Other programs, which support the instruction process, including pupils, instructional staff and pupil transportation, account for 15 percent of governmental expenses. Therefore, over 71 percent of the District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>
Instruction	\$13,390,771	\$11,415,121	\$13,697,485	\$11,524,028
Support Services:				
Pupils	1,090,087	1,062,338	1,289,480	1,282,772
Instructional Staff	1,102,841	661,481	1,041,198	505,461
Board of Education	48,844	48,844	45,763	45,763
Administration	1,631,641	1,610,123	1,858,647	1,693,612
Fiscal	674,598	674,598	637,877	637,877
Operation and Maintenance of Plant	2,064,320	1,448,487	1,825,944	1,488,952
Pupil Transportation	1,254,295	1,233,884	1,014,214	941,166
Central	422,714	411,339	377,147	365,715
Non-Instructional	999,354	56,176	981,842	42,393
Extracurricular Activities	719,417	378,961	790,435	526,221
Interest and Fiscal Charges	250,399	250,399	329,471	329,471
Total Expenses	<u><u>\$23,649,281</u></u>	<u><u>\$19,251,751</u></u>	<u><u>\$23,889,503</u></u>	<u><u>\$19,383,431</u></u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 85 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 81 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major government fund is the General Fund. General Fund revenues decreased by 1.3 percent this was due to a decrease in property and other local taxes revenues. General Fund expenditures increased by 1.6 percent. The General Fund balance increased by \$130,402 in 2011 due primarily to an increase in tuition and fees revenues.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2011, the District amended its General Fund budget as needed.

General Fund original and final budgeted revenues and other financing sources were \$19,959,285 and \$20,339,444, an increase of \$380,159 (2 percent). This increase is primarily due to increasing anticipated property and other local taxes revenue. Actual revenues and other financing sources were \$20,183,194. This represents a decrease of \$156,250 (less than 1 percent) from the final budget.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

General Fund original appropriations (appropriated expenditures plus other financing uses) of \$20,665,742 were increased to \$20,743,416 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$19,889,767, which was \$853,649 (4 percent) less than the final budget appropriations. The District over appropriates in case significant, unexpected expenditures arise during the fiscal year, or as the District's reserves dwindle.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$9,243,418 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of 3 percent from the beginning of the year.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2011, the District's long term obligations, which include general obligation bonds, EPA asbestos abatement project, energy conservation and non-interest bearing notes and compensated absences, were \$7,150,643, down 9.5 percent from the end of fiscal year 2010. This is due in large part to the payoff of long term debt.

At June 30, 2011, the District's overall legal debt margin was \$21,937,494 with an unvoted debt margin of \$274,395.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

The District's facilities are kept in good condition with the use of Permanent Improvement funds. Approximately \$500,000 per year is generated from the 2 mil continuing levy. This money is used to maintain the District facilities, to purchase 2 buses per year and to update technology as well as to make other improvements to District facilities.

The District is a rural community experiencing little growth. Our enrollment continues to decline. The size of the District makes open enrollment a concern. Each year the District loses approximately \$750,000 to open enrollment.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Michael R. Bostelman, Treasurer, Napoleon Area City School District, 701 Briarheath Drive, Suite 108, Napoleon, Ohio 43545-1298.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**Statement of Net Assets
June 30, 2011**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$12,226,967
Materials and Supplies Inventory	169,314
Accrued Interest Receivable	276
Accounts Receivable	76
Intergovernmental Receivable	332,751
Taxes Receivable	11,167,101
Revenue in Lieu of Taxes Receivable	173,178
Unamortized Bond Costs	118,616
Non-Depreciable Capital Assets	254,016
Depreciable Capital Assets, net	8,989,402
Total Assets	33,431,697
Liabilities	
Accounts Payable	162,421
Accrued Wages and Benefits	2,123,972
Intergovernmental Payable	539,798
Accrued Interest Payable	16,143
Matured Compensated Absences Payable	74,435
Deferred Revenue	10,014,640
Long-Term Liabilities:	
Due Within One Year	965,202
Due in More Than One Year	6,185,441
Total Liabilities	20,082,052
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,943,446
Restricted for Debt Service	745,426
Restricted for Other Purposes	1,142,075
Unrestricted	6,518,698
Total Net Assets	\$13,349,645

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2011**

		Program Revenues		Net(Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Expenses				
Governmental Activities				
Instruction:				
Regular	\$8,520,322	\$811,141	\$671,773	(\$7,037,408)
Special	3,148,274		427,281	(2,720,993)
Vocational	238,309		45,661	(192,648)
Other	1,483,866		19,794	(1,464,072)
Support Services:				
Pupils	1,090,087		27,749	(1,062,338)
Instructional Staff	1,102,841		441,360	(661,481)
Board of Education	48,844			(48,844)
Administration	1,631,641		21,518	(1,610,123)
Fiscal	674,598			(674,598)
Operation and Maintenance of Plant	2,064,320	7,055	608,778	(1,448,487)
Pupil Transportation	1,254,295		20,411	(1,233,884)
Central	422,714		11,375	(411,339)
Operation of Non-Instructional Services	999,354	458,599	484,579	(56,176)
Extracurricular Activities	719,417	340,456		(378,961)
Interest and Fiscal Charges	250,399			(250,399)
Totals	\$23,649,281	\$1,617,251	\$2,780,279	(19,251,751)
 General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				7,369,769
Property Taxes, Levied for Capital Outlay				359,587
Property Taxes, Levied for Debt Service				566,878
Grants and Entitlements not Restricted to Specific Programs				11,436,433
Gifts and Donations				142,048
Investment Earnings				88,110
Miscellaneous				49,378
Total General Revenues				20,012,203
Change in Net Assets				760,452
Net Assets Beginning of Year				12,589,193
Net Assets End of Year				\$13,349,645

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2011**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$9,473,469	\$2,702,161	\$12,175,630
Materials and Supplies Inventory	153,742	15,572	169,314
Accrued Interest Receivable	276		276
Accounts Receivable	76		76
Interfund Receivable	275,000		275,000
Intergovernmental Receivable		332,751	332,751
Taxes Receivable	10,164,278	1,002,823	11,167,101
Revenue in Lieu of Taxes Receivable	164,519	8,659	173,178
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	51,337		51,337
Total Assets	20,282,697	4,061,966	24,344,663
Liabilities			
Accounts Payable	84,763	77,658	162,421
Accrued Wages and Benefits	1,956,283	167,689	2,123,972
Interfund Payable		275,000	275,000
Intergovernmental Payable	490,448	49,350	539,798
Matured Compensated Absences Payable	74,435		74,435
Deferred Revenue	9,644,821	1,187,818	10,832,639
Total Liabilities	12,250,750	1,757,515	14,008,265
Fund Balances			
Nonspendable	153,742	15,572	169,314
Restricted		2,334,361	2,334,361
Assigned	489,260		489,260
Unassigned	7,388,945	(45,482)	7,343,463
Total Fund Balances	8,031,947	2,304,451	10,336,398
Total Liabilities and Fund Balances	\$20,282,697	\$4,061,966	\$24,344,663

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2011**

Total Governmental Fund Balances		\$10,336,398
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.</p>		9,243,418
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Revenue in Lieu of Taxes Receivable	173,178	
Intergovernmental Receivable	269,426	
Taxes Receivable	375,395	817,999
Unamortized Bond Costs		118,616
<p>Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:</p>		
Accrued Interest Payable	(16,143)	
Capital Leases Payable	(244,348)	
General Obligation Bonds Payable	(5,511,017)	
Compensated Absences Payable	(1,395,278)	(7,166,786)
Net Assets of Governmental Activities		\$13,349,645

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011**

	General Fund	All Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$7,336,853	\$923,599	\$8,260,452
Intergovernmental	11,278,496	2,735,316	14,013,812
Interest	83,989	4,121	88,110
Tuition and Fees	811,141		811,141
Rent	3,105	3,950	7,055
Extracurricular Activities	84,043	254,880	338,923
Gifts and Donations	21,642	120,406	142,048
Customer Sales and Services	58,256	401,876	460,132
Payments in Lieu of Taxes	215,307	11,332	226,639
Miscellaneous	32,532	16,846	49,378
Total Revenues	19,925,364	4,472,326	24,397,690
Expenditures			
Current:			
Instruction:			
Regular	7,821,345	419,340	8,240,685
Special	2,704,657	425,783	3,130,440
Vocational	237,237		237,237
Other	1,464,072	19,794	1,483,866
Support Services:			
Pupils	1,039,102	59,545	1,098,647
Instructional Staff	653,075	448,730	1,101,805
Board of Education	48,844		48,844
Administration	1,580,749	60,338	1,641,087
Fiscal	647,066	39,034	686,100
Operation and Maintenance of Plant	1,177,006	590,200	1,767,206
Pupil Transportation	1,095,648	20,411	1,116,059
Central	339,758	77,283	417,041
Operation of Non-Instructional Services			
Extracurricular Activities	511,121	333,716	844,837
Capital Outlay	175,980	26,849	202,829
Debt Service:			
Principal	25,964	850,937	876,901
Interest		181,356	181,356
Total Expenditures	19,521,624	4,543,378	24,065,002
Excess of Revenues Over (Under) Expenditures	403,740	(71,052)	332,688
Other Financing Sources and (Uses)			
Transfers In		273,538	273,538
Transfers Out	(273,338)	(200)	(273,538)
Total Other Financing Sources and Uses	(273,338)	273,338	332,688
Net Change in Fund Balances	130,402	202,286	332,688
Fund Balance at Beginning of Year - Restated	7,901,545	2,102,165	10,003,710
Fund Balance at End of Year	\$8,031,947	\$2,304,451	\$10,336,398

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011**

Net Change in Fund Balances - Total Governmental Funds \$332,688

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current year.

Capital Outlay - Depreciable Capital Assets	409,791	
Depreciation	<u>(724,334)</u>	(314,543)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(6,799)
------------------------------------	--	---------

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Delinquent Property Tax	35,782	
Intergovernmental	202,900	
Payment in Lieu of Taxes	<u>(226,639)</u>	12,043

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.		754,728
---	--	---------

Payments on Capital Lease		122,173
---------------------------	--	---------

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. Premiums and discounts are reported as revenues/expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	6,657	
Annual Accretion on Capital Appreciation Bonds	<u>(75,700)</u>	(69,043)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(70,795)
---	--	----------

Change in Net Assets of Governmental Activities		<u><u>\$760,452</u></u>
---	--	-------------------------

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property and Other Local Taxes	\$7,060,000	\$7,639,963	\$7,639,963	
Intergovernmental	11,547,000	11,278,496	11,278,496	
Interest	80,150	83,541	84,542	\$1,001
Tuition and Fees	774,850	811,290	754,973	(56,317)
Rent	4,000	3,270	3,105	(165)
Extracurricular Activities	71,750	84,075		(84,075)
Gifts and Donations	15,535	21,642	16,564	(5,078)
Customer Sales and Services	60,000	58,256	58,256	
Payments in Lieu of Taxes	260,000	215,307	215,307	
Miscellaneous	33,000	27,475	15,859	(11,616)
Total Revenues	<u>19,906,285</u>	<u>20,223,315</u>	<u>20,067,065</u>	<u>(156,250)</u>
Expenditures				
Current:				
Instruction:				
Regular	8,104,753	7,818,235	7,684,190	134,045
Special	2,830,120	2,921,575	2,818,173	103,402
Vocational	245,000	250,251	235,269	14,982
Other	1,511,000	1,474,700	1,464,072	10,628
Support Services:				
Pupils	1,276,635	1,279,432	1,054,104	225,328
Instructional Staff	624,085	664,088	661,361	2,727
Board of Education	50,992	52,993	49,613	3,380
Administration	1,694,400	1,649,231	1,594,254	54,977
Fiscal	652,659	691,908	645,044	46,864
Operation and Maintenance of Plant	1,333,935	1,444,191	1,343,636	100,555
Pupil Transportation	1,079,295	1,134,337	1,099,794	34,543
Central	309,833	355,416	340,758	14,658
Extracurricular Activities	511,274	523,091	416,623	106,468
Capital Outlay	170,761	183,666	183,574	92
Debt Service - Principal		25,964	25,964	
Total Expenditures	<u>20,394,742</u>	<u>20,469,078</u>	<u>19,616,429</u>	<u>852,649</u>
Excess of Revenues Over (Under) Expenditures	<u>(488,457)</u>	<u>(245,763)</u>	<u>450,636</u>	<u>696,399</u>
Other Financing Sources and (Uses)				
Advances In	45,000	112,000	112,000	
Proceeds from Sale of Fixed Assets	4,000	240	240	
Refund of Prior Year Expenditures	4,000	3,889	3,889	
Transfers Out	(270,000)	(273,338)	(273,338)	
Refund of Prior Year Receipts	(1,000)	(1,000)		1,000
Total Other Financing Sources and (Uses)	<u>(218,000)</u>	<u>(158,209)</u>	<u>(157,209)</u>	<u>1,000</u>
Net Change in Fund Balances	<u>(706,457)</u>	<u>(403,972)</u>	<u>293,427</u>	<u>697,399</u>
Fund Balance at Beginning of Year	8,285,202	8,285,202	8,285,202	
Prior Year Encumbrances Appropriated	456,917	456,917	456,917	
Fund Balance at End of Year	<u>\$8,035,662</u>	<u>\$8,338,147</u>	<u>\$9,035,546</u>	<u>\$697,399</u>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$19,260	\$121,093
Liabilities		
Current Liabilities:		
Undistributed Monies		\$121,093
Net Assets		
Held in Trust for Scholarships	\$19,260	

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011**

	<u>Private Purpose Trust</u>
Additions	
Gifts and Contributions	\$12,570
Deductions	
Payments in Accordance with Trust Agreements	<u>15,997</u>
Change in Net Assets	(3,427)
Net Assets Beginning of Year	<u>22,687</u>
Net Assets End of Year	<u><u>\$19,260</u></u>

See Accompanying Notes to the Basic Financial Statements

This page intentionally left blank.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Napoleon Area City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by 3311.02 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District is the 230th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 100 classified employees and 159 certified teaching personnel, who provide services to 2,037 students and other community members. The Board of Education 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 nine organizations, which are defined as jointly governed organizations, group purchasing pools or related organizations. These organizations include the Northwest Ohio Computer Association (NWOCA), Northern Buckeye Educational Council, Four County Career Center, Northwestern Ohio Educational Research Council, Inc., Educational Regional Service System, NBEC Employee Insurance Benefits Program, NBEC Workers' Compensation Group Rating Plan, Schools of Ohio Risk Sharing Authority, and Napoleon Public Library. Information about these organizations is presented in Notes 17, 18, and 19 to the basic financial statements.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund is the District's only major governmental fund:

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

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

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

The private purpose trust fund is reported using the economic resources measurement focus.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, payments in lieu of taxes, grants, investment earnings, tuition, and student fees.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

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

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

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

F. Pooled Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2011, the District invested in nonnegotiable certificates of deposit, and STAR Ohio. Investments are reported at cost, except STAR Ohio. 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, 2011.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2011 amounted to \$83,989, which includes \$20,286 assigned from other funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Inventory

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

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, purchased food and school supplies held for resale and are expensed. The cost of inventory items is recorded as an expenditure when purchased.

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$2,500. The District does not possess any infrastructure. Improvements with a cost in excess of \$15,000 are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of capital assets is also not capitalized.

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10- 20 years
Buildings	30 - 50 years
Building Improvements	10 - 40 years
Furniture, Fixtures and Equipment	5 - 20 years

J. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

K. 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, 2011.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Unamortized Issuance Costs and Premiums

On government-wide financial statements, issuance costs and premiums are deferred and amortized over the term of the bonds using the straight-line method. Issuance costs are recorded as deferred charges and are generally paid from debt proceeds. Bond premiums are presented as an addition to the face amount of bonds payable. On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the debt is issued.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditures for specific purposes.

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

O. Fund Balance

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

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

P. Interfund Transactions

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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

Q. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Pass-Through Grants

The Preschool Disabilities Grant (recorded in special revenue funds) is a pass-through grant in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting of Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2011.

3. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
	General
GAAP Basis	\$130,402
Net Adjustment for Revenue Accruals	300,066
Net Adjustment for Expenditure Accruals	170,201
Net Adjustment for Other Sources/Uses	116,129
Encumbrances Outstanding at Year End (Budget Basis)	(413,682)
Perspective difference for Cash Reporting Purposes:	
Activity of Funds Reclassified	(3,202)
Outstanding Encumbrances of Funds Reclassified	(6,487)
Budget Basis	\$293,427

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

4. EQUITY IN POOLED CASH AND EQUIVALENTS

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

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

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

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement be at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if trading requirements have been met, for a period not to exceed 180 days in an amount not to exceed 25 percent of interim monies available for investment at any one time.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

4. EQUITY IN POOLED CASH AND EQUIVALENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the District had \$350 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$12,389,281 of the District's bank balance of \$12,654,465 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2011, the District had \$37,993 invested in STAR Ohio.

Credit Risk - STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices beyond the requirements of state statutes.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes for 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by state statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

5. PROPERTY TAXES (Continued)

Public utility real and tangible personal property taxes for 2011 were levied after April 1, 2010, on the assessed values as of December 31, 2009, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Henry County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2011 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2011, was \$683,976 in the General Fund, \$56,777 in the Debt Service Fund, and \$36,313 in the Capital Projects Fund. The amount available as an advance at June 30, 2010, was \$987,086 in the General Fund, \$8,721 in the Debt Service Fund, and \$48,699 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$224,141,160	83%	\$226,064,180	82%
Industrial/Commercial	43,505,790	16%	44,363,270	16%
Public Utility	3,782,800	1%	3,967,270	2%
Tangible Personal	410,550	0%		
Total Assessed Value	\$271,840,300	100%	\$274,394,720	100%
Tax rate per \$1,000 of assessed valuation	\$52.70		\$52.70	

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

6. RECEIVABLES

Receivables at June 30, 2011, consisted of property taxes, accounts (rent and student fees), payments in lieu of taxes, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

	Amount
Accounts Receivable:	
General Fund	
Tuition and Fees	\$38
Extracurricular	38
Total Accounts Receivable	\$76
Payments in Lieu of Taxes Receivable:	
General Fund	\$164,519
Capital Projects Fund	8,659
Total Payments in Lieu of Taxes Receivable	\$173,178
Intergovernmental Receivable:	
Education Jobs Fund	\$227,131
Title II D Fund	270
Title I Fund	105,000
Drug Free Schools Fund	350
Total Intergovernmental Receivable	\$332,751

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$254,016			\$254,016
Total Nondepreciable Capital Assets	254,016			254,016
Depreciable Capital Assets				
Land Improvements	2,048,342	\$4,213		2,052,555
Buildings and Building Improvements	14,775,254	11,625		14,786,879
Furniture, Fixtures, and Equipment	2,077,426	339,553	(\$37,950)	2,379,029
Vehicles	2,103,822	54,400	(43,932)	2,114,290
Totals	21,004,844	409,791	(81,882)	21,332,753
Less Accumulated Depreciation				
Land Improvements	(1,385,568)	(65,804)		(1,451,372)
Buildings and Building Improvements	(8,022,165)	(382,282)		(8,404,447)
Furniture, Fixtures, and Equipment	(1,486,316)	(139,180)	31,151	(1,594,345)
Vehicles	(800,051)	(137,068)	43,932	(893,187)
Total Accumulated Depreciation	(11,694,100)	(724,334)	75,083	(12,343,351)
Governmental Activities Capital Assets, Net	\$9,564,760	(\$314,543)	(\$6,799)	\$9,243,418

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

7. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$333,550
Special	1,771
Support Services:	
Pupils	2,911
Instructional Staff	422
Administration	4,211
Operation and Maintenance of Plant	137,545
Pupil Transportation	152,289
Central	9,454
Operation of Non-Instructional Services	3,555
Extracurricular	78,626
Total Depreciation Expense	\$724,334

8. INTERFUND ASSETS/LIABILITIES

As of June 30, 2011, on the fund financial statements, Special Revenue and Capital Projects Funds owed the General Fund \$275,000. These amounts are represented as "Interfund Receivable/Payable" on the balance sheet.

9. PAYMENT IN LIEU OF TAXES

The District has entered into agreements with a number of property owners under which the District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owner's contractual promise to make these payments in lieu of taxes generally continue until the agreement expires.

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 participates in the Schools of Ohio Risk Sharing Authority, Inc., an insurance purchasing pool, (Note 18) for insurance coverage. Coverages provided are as follows:

Property (building & contents)	\$49,352,807
Automobile Liability	12,000,000
Educators' Legal Liability	12,000,000
Crime Coverage	100,000
General Liability:	
Per Occurrence	12,000,000
General Annual Aggregate	14,000,000

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

10. RISK MANAGEMENT (Continued)

Settled claims have not exceeded commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

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 (Note 18). 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 18). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all 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. PENSION AND RETIREMENT PLANS

A. School Teachers Retirement System

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

11. PENSION AND RETIREMENT PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 was \$1,154,851, \$1,163,005, and \$1,249,890 respectively; 82.17 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement 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 Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

11. PENSION AND RETIREMENT PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$262,786, \$278,274, \$226,156 respectively; 35.73 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

12. POSTEMPLOYMENT BENEFITS

A. School Teachers Retirement System

Plan Description - The District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$88,835, \$89,462, and \$96,145 respectively; 82.17 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

12. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

Plan Description - The District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2011, the surcharge amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$69,113, \$46,922, and \$103,202 respectively; 70.41 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was .76 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$16,911, \$16,548, and \$16,295 respectively; 35.73 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

13. 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.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

13. COMPENSATED ABSENCES (Continued)

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 50 days. The amount paid to an administrator upon retirement is limited to 25% of the accumulated sick leave to a maximum of 51.25 days. The amount paid to the superintendent or Treasurer upon retirement is limited to 30% of the accumulated sick leave. The amount paid to a classified employee upon retirement is limited to 25% of the accumulated sick leave to a maximum of 55 days. The amount paid to a supervisor upon retirement is limited to 25% of the accumulated sick leave to a maximum of 51.25 days. The amount paid to a confidential employee with a minimum of 5 years of service upon retirement is limited to 25% of the accumulated sick leave to a maximum of 51.25 days.

At June 30, 2011 the current amount of matured compensated absences in all funds was \$74,435. The amount of long-term compensated absences in all funds was \$1,395,278.

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2011, the following changes occurred in obligations reported in the Government-Wide financial statements:

	<u>Balance at 6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/11</u>	<u>Due Within One Year</u>
1996 General Obligation Bonds	\$613,715	\$75,700	\$355,000	\$334,415	\$334,415
2005 Advance Refunding General Obligation Bonds	2,355,000		50,000	2,305,000	50,000
Unamortized Bond Premium	139,320		20,704	118,616	20,704
Energy Conservation Loan 2006	1,630,400		119,138	1,511,262	113,685
EPA Settlement Obligation	1,126,045		92,500	1,033,545	107,500
2009 Dodge Ram Truck	16,666		6,249	10,417	6,250
EPA Asbestos Loan	329,603		131,841	197,762	131,841
Total Long-Term Debt	<u>6,210,749</u>	<u>75,700</u>	<u>775,432</u>	<u>5,511,017</u>	<u>764,395</u>
Capital Leases	366,521		122,173	244,348	122,173
Compensated Absences	1,324,483	70,795		1,395,278	78,634
Total Long-Term Obligations	<u>\$7,901,753</u>	<u>\$146,495</u>	<u>\$897,605</u>	<u>\$7,150,643</u>	<u>\$965,202</u>

The scheduled payments of principal and interest on debt outstanding at June 30, 2011, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$764,395	\$195,357	\$959,752
2013	769,777	158,482	928,259
2014	750,096	131,304	881,400
2015	785,861	102,189	888,050
2016	821,873	71,427	893,300
2017-2021	1,603,624	104,932	1,708,556
2022-2023	15,391	54	15,445
Total	<u>\$5,511,017</u>	<u>\$763,745</u>	<u>\$6,274,762</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

14. LONG-TERM OBLIGATIONS (Continued)

The general obligation bonds were issued in December 1996 for the purpose of renovating, repairing, and improving existing school buildings and facilities. The bonds consist of \$5,905,000 in current interest bonds (\$2,785,000 issued as serial bonds and \$3,120,000 as term bonds) and \$109,456 capital appreciation bonds. On March 23, 2005, the District issued general obligation advance refunding bonds. The bonds consist of \$3,325,000 serial bonds. This bond issue retired \$655,000 of serial bonds from the 1996 issue. In addition, all the 1996 term bonds were retired.

The capital appreciation bonds after the advance refunding bond issue were issued in the aggregate original principal amount of \$109,456 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2011	\$31,183	\$360,000

The value of the capital appreciation bonds reported in the Government Entity Wide Statement of Net Assets at June 30, 2010 was \$334,415. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$303,232 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

Advance Refunding Bonds – 2005

Proceeds from the outstanding bonds were used for the purpose of refunding a portion of general obligation improvement and construction bonds, dated December 19, 1996. The refunded debt is considered defeased and accordingly, has been removed from the statement of net assets.

The refunding bonds were issued on March 23, 2005. The bonds consisted of \$3,325,000 in current interest serial bonds.

The refunding bonds outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. The source of payment is derived from a current tax levy.

The current interest bonds shall bear interest at the rates per year and will mature December 1 in the principal amounts and on the following dates:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$50,000	3.250%
2012	420,000	5.000%
2013	450,000	5.000%
2014	480,000	5.000%
2015	510,000	5.000%
2016	395,000	5.000%

These bonds are not subject to redemption prior to maturity.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

14. LONG-TERM OBLIGATIONS (Continued)

The Asbestos Loan was entered into by the District and the United States Environmental Protection Agency during 1994 for \$2,373,141. This loan is interest free. A semi-annual payment of \$65,921 is required to be made by the District until May 2013.

The Energy Conservation notes were issued in 2006 for \$2,060,000. The interest rate on the notes is 4.2 percent. The final maturity of this issuance is July 10, 2021.

The Asbestos Settlement Obligation was entered into by the District and the United States Environmental Protection Agency during 2009 for \$1,238,545. This loan is interest free. Semi-annual payments are required to be made by the District until November 2018.

The District purchased a 2009 Dodge Ram Truck for \$24,999. This loan is interest free. Monthly payments of \$521 are required to be made by the District until March 2013.

15. CAPITAL LEASES – LESSEE DISCLOSURE

In fiscal year 2009, the District entered into two capital leases for the acquisition of buses. The lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, both leases were accounted for as an other financing source and a capital outlay expenditure in the General Fund. Capital lease payments have been reclassified and shown as debt service expenditures in the General Fund. Principal payments made during fiscal year 2011 totaled \$122,173 for the buses.

	Governmental Activities
Property under Capital Lease	\$449,820
Less Accumulated Depreciation	(93,713)
Total June 30, 2011	\$356,107

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2011.

<u>Fiscal year ending June 30,</u>	<u>Buses</u>
2012	\$122,174
2013	122,174
Principle payments	244,348
Plus Interest payments	11,920
Total minimum lease payment	\$256,268

16. 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. For fiscal year 2011, only the unspent portion of certain workers compensation refunds is required to be set-aside at fiscal year end. The balance no longer required by statute for budget stabilization was designated by the District to be used for budget stabilization.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

16. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

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>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2010			\$51,337
Current year set-aside requirement	\$287,411	\$287,411	
Current Year Qualifying Expenditures	(214,505)	(99,056)	
Excess Qualified Expenditures from Prior Years	(973,370)		
Current Year Offsets	<u>(67,958)</u>	<u>(302,627)</u>	
Total	<u>(\$968,422)</u>	<u>(\$114,272)</u>	<u>\$51,337</u>
Balance carried forward to FY 2012	<u>(\$968,422)</u>		<u>\$51,337</u>

The District had qualifying expenditures during the fiscal year that reduced the textbook set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The District also had current year offsets during the fiscal year that reduced the capital improvements set aside amount to below zero. However, this amount cannot be carried forward to reduce future set aside requirements, and therefore is not reflected in this schedule.

17. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, 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 Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$10,991. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Northern Buckeye Education Council

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 during this fiscal year were \$107,232. To obtain financial information write to Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from 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 districts; and one representative from each of the exempted village districts. Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to Four County Career Center during this fiscal year were \$600. To obtain financial information write to Four County Career Center, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. NOERC serves a twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. There were no disbursements made by the District to NOERC during this fiscal year. Financial information can be obtained from Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

E. Educational Regional Service System

Educational Regional Services System (the System) is a jointly governed organization among the school districts in Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. House Bill 115 established the System and required the creation of a coordinated, integrated, and aligned system to support state and school district efforts to improve school effectiveness and student achievement.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The System is a 16-region system consisting of a State Regional Alliance Advisory Board, an advisory council and five specialized subcommittees for each of the 16 regions, a fiscal agent for each region, educational service centers, special education regional resources centers, data acquisition sites, and other regional service providers. The 34-member State Regional Alliance Advisory Board is not a policymaking body. Members are to receive no compensation. The board's duties are to promote communication and coordination among the State Board of Education, the Department of Education, fiscal agents, advisory councils, and customers of the System. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Lucas County Educational Service Center, 2275 Collingwood, Toledo, Ohio, 43620.

18. 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 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 \$1,979,635. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, 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. Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. WCGRP is governed by Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$2,207 to WCGRP to cover the costs of administering the program.

C. Schools of Ohio Risk Sharing Authority

The District participates in Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-Profit Corporations and functioning under authority granted by § 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons that might result in claims being made against members of SORSA, their employees or officers. The District paid \$70,267 for these services to SORSA in fiscal year 2011.

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of Superintendents, Treasurers, or Business Managers from the participating school districts. Willis Pooling administers the pool and Frank Gates Service Company manages the claims. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

19. RELATED ORGANIZATION

Napoleon Public Library

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 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 Napoleon Public Library, at 310 West Clinton Street, Napoleon, Ohio 43545.

20. INTERFUND TRANSACTIONS

During the year ended June 30, 2011, the following transfers in and out occurred:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$273,338
Other Governmental Funds:		
Special Revenue Funds:		
Lunchroom Fund	\$50,000	
EMIS Fund	38,000	
Miscellaneous Federal Funds		200
Title II-D Grant Fund	200	
Capital Project Funds:		
Building Fund	185,338	
Totals	<u>\$273,538</u>	<u>\$273,538</u>

Transfers were made to move unrestricted balances from the General Fund to support programs and projects accounted for in other funds.

21. CONTINGENT LIABILITIES

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, 2011.

22. LITIGATION

There are currently no matters in litigation with the District as defendant.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

23. ACCOUNTABILITY AND COMPLIANCE

A. Change in Basis of Accounting

For fiscal year 2011, the District modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. The statement also, requires certain funds to be included with the General Fund.

The fund balance restatements are as follows:

	General Fund	Other Governmental Funds
Fund Balance, June 30, 2010	\$7,826,246	\$2,177,464
Reclassify Funds	75,299	(75,299)
Restated Fund Balance, June 30, 2010	\$7,901,545	\$2,102,165

B. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Food Service Fund	\$27,940
Jobs Education Fund	1,735
Title II-D Fund	5
Title II-A Fund	230

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The deficit fund balances resulted from reporting notes payable and advances from other funds and other accrued liabilities as a fund liability. These deficits will be alleviated when sufficient revenues are received to retire the notes and repay the advances.

24. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

24. FUND BALANCE (Continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Nonspendable for:			
Materials and Supplies	\$153,742	\$15,572	\$169,314
Restricted for:			
Regular Instruction		746,400	746,400
Special Instruction		14,285	14,285
Support Services		5,482	5,482
Athletics		54,089	54,089
Food Service Operations		7,004	7,004
Debt Retirement		1,044,173	1,044,173
Permanent Improvements		462,611	462,611
Building Construction		317	317
Total Restricted		<u>2,334,361</u>	<u>2,334,361</u>
Assigned for:			
School Supplies	32,172		32,172
Rotary Special Service	3,393		3,393
Rotary	152		152
Principal Funds	39,861		39,861
Unpaid Obligations	413,682		413,682
Total Assigned	<u>489,260</u>		<u>489,260</u>
Unassigned (Deficit)	<u>7,388,945</u>	<u>(45,482)</u>	<u>7,343,463</u>
Total Fund Balance	<u>\$8,031,947</u>	<u>\$2,304,451</u>	<u>\$10,336,398</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
School Breakfast Program	10.553	\$59,306	\$59,306
Summer Food Service Program for Children	10.559	3,113	3,113
National School Lunch Program			
Cash assistance	10.555	331,254	331,254
Non-cash Assistance (Food Distribution)		50,844	50,137
Total - National School Lunch Program		<u>382,098</u>	<u>381,391</u>
Total United States Department of Agriculture		<u>444,517</u>	<u>443,810</u>
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	319,058	305,447
ARRA - Title I Grants to Local Education Agencies	84.389	55,000	57,986
Total Title I, Part A Cluster		<u>374,058</u>	<u>363,433</u>
Special Education Cluster:			
Education Grants to States	84.027	473,290	465,537
ARRA - Special Education Grants to States	84.391	148,858	102,072
Total Special Education Cluster		<u>622,148</u>	<u>567,609</u>
Safe and Drug Free Schools and Communities State Grant	84.186	4,376	5,117
Education Technology State Grants	84.318	3,368	3,746
Improving Teacher Quality State Grants	84.367	106,887	107,967
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	619,070	619,070
Education Jobs Grant	84.410	156,446	151,265
Total United States Department of Education		<u>1,886,353</u>	<u>1,818,207</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$2,330,870</u>	<u>\$2,262,017</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Napoleon Area City School District
Henry County
701 Briarheath Drive
Napoleon, Ohio 43545-1298

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2012 and wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standard*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 14, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 14, 2012



Dave Yost • Auditor of State

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

Napoleon Area City School District
Henry County
701 Briarheath Drive
Napoleon, Ohio 43545-1298

To the Board of Education:

Compliance

We have audited the compliance of Napoleon Area City School District, Henry County, Ohio (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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

As described in finding 2011-002 in the accompanying schedule of findings, the District did not comply with requirements regarding reporting applicable to its State Fiscal Stabilization Fund – Education State Grants major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, Napoleon Area City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-002 to be a material weakness.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 14, 2012

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

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 weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control 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)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified – State Fiscal Stabilization Fund. Unqualified – All other programs
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Program:	Education Jobs CFDA #84.410 ARRA State State Fiscal Stabilization Fund – Education State Grants CFDA # 84.394 Special Education Cluster: Special Education – Grants to States CFDA #84.027 ARRA - Special Education – Grants to States CFDA #84.391
<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?	No

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

FINDING NUMBER 2011-001

Financial Reporting – Material Weakness

Accurate financial reporting is the responsibility of the Treasurer and governing board and is essential to ensure information provided to the readers of the financial statements accurately reflects the District's activity.

The 2011 financial statements contained material errors, such as the following:

- Property taxes in total of \$565,400 were incorrectly classified between Debt Service and Capital Project Funds.
- Invested in Capital Assets, Net of Related Debt was overstated by \$335,582.
- Expenditures of \$202,829 were incorrectly classified on the Statement of Activities.
- Fund balance of Other Funds was incorrectly classified between Restricted and Unassigned in the amount of \$45,482.
- Fund balance of the General Fund was incorrectly classified between Assigned and Unassigned in the amount of \$44,871.

Ten adjusting entries were posted to the financial statements and records to correct these and other errors.

To ensure the District's financial statements and notes to the statements are complete and accurate, the Board of Education should adopt policies and procedures, including a final review of the financial statements, management discussion and analysis, and notes to the financial statements by the District Treasurer and the Board of Education, to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2011-002
CFDA Title and Number	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund) CFDA 84.394
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation / Material Weakness

Section 1512 of the American Recovery and Reinvestment Act of 2009 (ARRA) requires prime recipients to report all single payments to vendors greater than \$25,000. The Ohio Department of Education (ODE) is a prime recipient of the United States Department of Education, and has consequently required all its subrecipients to report to ODE, on the 1512 ARRA Subrecipient Vendor report, all vendors receiving a single payment greater than \$25,000. This will then provide ODE with the information needed to comply with the 1512 ARRA requirement. The District is a subrecipient of ODE.

Furthermore, ODE 1512 Quarterly Reporting Guidance, page 8 (December 2011) indicates a subrecipient needs to identify a vendor only one time regardless of how many payments greater than \$25,000 is made to them.

In addition, ODE ARRA 1512 Sub Recipient Data Collection System Frequently Asked Questions, page 4 (December 2011) indicates their new system will carry forward vendors from prior reporting periods, therefore only new vendors meeting the \$25,000 criteria for the current reporting quarter need be entered.

The District made two payments from the State Fiscal Stabilization Fund Grant to Ohio Gas and one to Schools of Ohio Risk Sharing Authority which exceeded \$25,000 during fiscal year 2011. Neither of these vendors were listed on the ARRA 1512 Subrecipient Vendor Report.

We recommend the District review the ARRA 1512 vendor reporting requirements and submit the required vendor information.

Officials' Response:

See Corrective Action Plan on the following page.

This page intentionally left blank.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-002	This was an oversight on my part since it was the second year for the reporting of this grant. The grant has since ended.	Immediate	Mike Bostelman, Treasurer

This page intentionally left blank.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Material Weakness due to errors on the Financial Statements	No	Repeated in this report as Finding 2011-001

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Napoleon Area City School District
Henry County
701 Briarheath Drive
Napoleon, Ohio 43545-1298

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Napoleon Area City School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated March 10, 2011, we noted the Board adopted an anti-harassment policy on April 27, 2007. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the April 27, 2007 policy. Therefore, the policy still lacks the following required by Ohio Rev. Code Section 3313.666:
 - (1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (2) A procedure for documenting any prohibited incident that is reported.
 - (3) A procedure for responding to and investigating any reported incident;
 - (4) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
 - (5) An amendment to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 14, 2012



Dave Yost • Auditor of State

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
MARCH 29, 2012