



Dave Yost • Auditor of State

**NAPOLEON AREA LOCAL SCHOOL DISTRICT
HENRY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP) and Actual – General Fund	21
Statement of Fiduciary Net Position - Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	23
Notes to the Basic Financial Statements	25
Required Supplementary Information	
Schedule of the District's Share of the Net Pension Liability – School Employees Retirement System of Ohio	65
School Teachers Retirement System of Ohio	66
Schedule of the District's Contributions – School Employees Retirement System of Ohio	67
School Teachers Retirement System of Ohio	69
Notes to the Required Supplementary Information.....	71
Schedule of Federal Awards Receipts and Expenditures.....	72
Notes to the Schedule of Federal Awards Receipts and Expenditures	73

**NAPOLEON AREA LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	75
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	77
Schedule of Findings.....	79
Schedule of Prior Audit Findings.....	81



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio, as of June 30, 2015, and the respective changes in financial position and, the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*". We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Columbus, Ohio

March 15, 2016

This page intentionally left blank.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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, 2015. 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 2015 are as follows:

The District retired \$515,000 in general obligation bonds from amounts accumulated in the Bond Retirement Fund.

In total, net position increased \$9,155,267.

General revenues accounted for \$29,947,579, or 89.8 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 \$3,390,538 or 10.2 percent of total revenues of \$33,338,117.

The District's major funds are the General Fund, the Bond Retirement Fund and the State and Local Share Building Fund. The General Fund had \$23,115,055 in revenues and other financing sources and \$20,759,623 in expenditures and other financing uses. The General Fund's fund balance increased \$2,355,432 from the prior fiscal year. The Bond Retirement Fund had \$2,349,568 in revenues and \$1,890,029 in expenditures. The Bond Retirement Fund's fund balance increased \$459,839 from the prior fiscal year. The State and Local Share Building Fund had \$5,363,986 in revenues and \$24,837,588 in expenditures. The State and Local Share Building Fund's fund balance decreased \$19,473,602 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 position 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. The District's major funds are the General Fund, the Bond Retirement Fund and the State and Local Share Building Fund.

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2015. 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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

and expenses regardless of when cash is received or paid.

These statements report the District's net position and changes in those assets. This change in net position 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 position 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 funds are the General Fund, the Bond Retirement Fund, and the State and Local Share Building 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

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

**Table 1
Net Position
Governmental Activities**

	2015	2014 (Restated)
Assets		
Current and Other Assets	\$43,710,667	\$59,771,978
Capital Assets	37,353,496	13,060,587
Total Assets	<u>81,064,163</u>	<u>72,832,565</u>
Deferred Outflows of Resources		
Pension	1,756,765	1,408,032
Total Deferred Outflows of Resources	<u>1,756,765</u>	<u>1,408,032</u>
Liabilities		
Current and Other Liabilities	4,404,825	4,767,851
Long-Term Liabilities :		
Due Within One Year	1,254,828	1,163,730
Due Within More Than One Year:		
Net Pension Liability	24,377,758	28,968,656
Other Amounts	34,903,213	35,968,028
Total Liabilities	<u>64,940,624</u>	<u>70,868,265</u>
Deferred Inflows of Resources		
Property Taxes	10,982,092	10,041,196
Pension	4,411,809	
Total Deferred Inflows of Resources	<u>15,393,901</u>	<u>10,041,196</u>
Net Position		
Net Investment in Capital Assets	17,679,412	6,731,069
Restricted	12,033,379	5,496,927
Unrestricted	<u>(27,226,388)</u>	<u>(18,896,860)</u>
Total Net Position	<u>\$2,486,403</u>	<u>(\$6,668,864)</u>

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$20,891,760 to (\$6,668,864).

Total assets increased by \$8,231,598 (11.3 percent). The increase in total assets was due to construction in progress on the new elementary school and the renovations made to the current high school. Total liabilities decreased by \$5,927,641 (8.5 percent). This is primarily due to a decrease in net pension liability. Total net position increased by \$9,155,267 (137.3 percent) due to the completed construction in progress of the new elementary school and the renovations made to the current high school.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

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

	<u>2015</u>	<u>2014</u>
<u>Revenues</u>		
Program Revenues:		
Charges for Services and Sales	\$1,444,960	\$1,452,989
Operating Grants, Contributions and Interest	1,945,578	3,100,320
Total Program Revenues	<u>3,390,568</u>	<u>4,553,309</u>
General Revenues:		
Property Taxes	11,212,077	10,384,948
Payment in Lieu of Taxes	171,585	217,832
Grants and Entitlements	18,238,024	18,306,905
Interest	219,540	78,883
Gifts and Donations	43,242	48,735
Miscellaneous	236,952	162,640
Premium on Bonds and Notes Issued	(179,091)	
Proceeds from Sale of Capital Assets	5,250	31,892
Total General Revenues	<u>29,947,579</u>	<u>29,231,835</u>
Total Revenues	<u>\$33,338,117</u>	<u>\$33,785,144</u>
<u>Program Expenses</u>		
Instruction	13,695,045	16,224,430
Support Services:		
Pupils	1,315,356	1,253,244
Instructional Staff	908,122	1,069,804
Board of Education	42,710	48,653
Administration	1,398,637	1,807,655
Fiscal	644,843	737,367
Operation and Maintenance of Plant	2,131,155	2,134,402
Pupil Transportation	1,101,771	1,563,278
Central	158,728	224,577
Non-Instructional	802,871	922,479
Extracurricular Activities	665,261	1,041,681
Interest and Fiscal Charges	1,318,351	1,337,909
Total Expenses	<u>24,182,850</u>	<u>28,365,479</u>
Increase in Net Position	<u>\$9,155,267</u>	<u>\$5,419,665</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,408,032 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$991,081. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$24,182,850
Pension expense under GASB 68	(991,081)
2015 contractually required contribution	1,526,903
Adjusted 2015 program expenses	24,718,672
Total 2014 program expenses under GASB 27	28,365,479
Decrease in program expenses not related to pension	(\$3,646,8072)

Total revenues decreased by \$447,027 (1.3 percent) primarily due to the decrease in grants.

Program revenues account for 10.2 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 \$4,182,629 (14.7 percent) due largely to the decrease in instruction, administration, pupil transportation, and extracurricular activities. These decreases were primarily due to reporting construction in progress on the new elementary school and renovations to the current high school.

The major program expenses for governmental activities are for instruction, which accounts for 56.6 percent of all governmental expenses. Instructional programs, which includes pupils, instructional staff, operation and maintenance of plant, and pupil transportation, account for 22.6 percent of all governmental expenses. Therefore, 77.4 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, 2015
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>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Instruction	\$13,695,045	\$11,617,259	\$16,224,430	\$12,999,514
Support Services:				
Pupils	1,315,356	1,273,913	1,253,244	1,194,906
Instructional Staff	908,122	882,275	1,069,804	1,053,196
Board of Education	42,710	42,710	48,653	48,653
Administration	1,398,637	1,397,000	1,807,655	1,803,962
Fiscal	644,843	644,755	737,367	728,366
Operation and Maintenance of Plant	2,131,155	2,025,046	2,134,402	2,061,351
Pupil Transportation	1,101,771	1,101,771	1,563,278	1,484,312
Central	158,728	158,728	224,577	224,503
Non-Instructional	802,871	6,329	922,479	177,923
Extracurricular Activities	665,261	324,175	1,041,681	697,575
Interest and Fiscal Charges	1,318,351	1,318,351	1,337,909	1,337,909
Total Expenses	<u>\$24,182,850</u>	<u>\$20,792,312</u>	<u>\$28,365,479</u>	<u>\$23,812,170</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. 85.0 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 86.0 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 funds are the General Fund, the Bond Retirement Fund, and the State and Local Share Building Fund. In fiscal year 2015, total Governmental Funds had revenues and other financing sources of \$34,307,325 and expenditures and other financing uses of \$50,734,789. The overall negative change of \$16,427,464 was primarily attributable to construction in progress on the new school elementary school and renovations to the current high school.

In fiscal year 2015, General Fund revenues increased by 6.0 percent which was primarily due to an increase in property taxes and intergovernmental revenue. General Fund expenditures only decreased by 0.8 percent. The General Fund balance increased by \$2,355,432 (25.6 percent) due to overall receipts and other financing sources increasing by greater than the increase in overall expenditures and other financing uses from 2014.

In fiscal year 2015, the Bond Retirement Fund revenues increased by 14.0 percent due to the increase in property and other local tax revenue. The Bond Retirement Fund expenditures were increased by 1.5 percent due to payment of long-term debt. The Bond Retirement Fund balance increased by \$459,539 (26.3 percent) due to the increase in property and other local tax revenue received.

In fiscal year 2015, the State and Local Share Building Fund revenues decreased by 25.6 percent due to the decrease in intergovernmental revenue received. The State and Local Share Building Fund expenditures increased by 218.9 percent due to construction costs related to the projects above. The State and Local Share Building Fund balance decreased by \$19,473,602 (66.7 percent) due to the construction costs of the projects above exceeding the monies received from the Ohio School Facilities Commission.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

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 2015, the District amended its General Fund budget as needed.

General Fund final and original budgeted revenues and other financing sources were \$22,338,085 and \$21,559,900, an increase of \$778,185 (3.6 percent). This increase is primarily due to increasing anticipated grant revenue. Actual revenues and other financing sources were \$22,377,908. This represents an increase of \$39,823 (less than 1 percent) from the final budget.

General Fund original appropriations (appropriated expenditures plus other financing uses) of \$20,942,757 were increased to \$20,948,869 in the final budget (for a variance of less than 1 percent). The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$20,571,343, which was \$377,526 (1.8 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 2015, the District had \$37,353,496 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of 186 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, 2015, the District's long term obligations, which include general obligation bonds, EPA asbestos abatement project, energy conservation loan, capital leases, and compensated absences, were \$36,158,041, down 2.6 percent from the end of fiscal year 2014.

At June 30, 2015, the District's overall legal debt margin was (\$2,224,153) with an unvoted debt margin of \$327,009.

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. Enrollment is expected to be relatively stable. The size of the District makes open enrollment a concern

District voters approved a \$31.5 million dollar bond issue in March 2013 which is being used to construct a new elementary school and make renovations to the current high school. The District is scheduled to move into the new elementary school in December 2015.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

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 District, 701 Briarheath Drive, Suite 108, Napoleon, Ohio 43545-1298.

This page intentionally left blank.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2015**

		<u>Governmental Activities</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$	21,555,542
Investments		8,218,485
Materials and Supplies Inventory		60,037
Accrued Interest Receivable		8,460
Accounts Receivable		74,444
Intergovernmental Receivable		130,683
Taxes Receivable		13,491,431
Revenue in Lieu of Taxes Receivable		171,585
Non-Depreciable Capital Assets		30,046,508
Depreciable Capital Assets, net		7,306,988
Total Assets		<u>81,064,163</u>
 Deferred Outflows of Resources:		
Pension		<u>1,756,765</u>
 Liabilities		
Accounts Payable		149,746
Accrued Wages and Benefits		2,069,231
Contracts Payable		1,536,677
Intergovernmental Payable		490,879
Accrued Interest Payable		110,848
Matured Compensated Absences Payable		47,444
Long-Term Liabilities:		
Due Within One Year		1,254,828
Due in More Than One Year		34,903,213
Net Pension Liability		24,377,758
Total Liabilities		<u>64,940,624</u>
 Deferred Inflows of Resources:		
Property Taxes Receivable		10,982,092
Pension		4,411,809
Total Deferred Inflows of Resources		<u>15,393,901</u>
 Net Position		
Net Investment in Capital Assets		17,679,412
Restricted for Debt Service		2,168,641
Restricted for Capital Outlay		8,856,379
Restricted for Other Purposes		1,008,359
Unrestricted		(27,226,388)
Total Net Position	\$	<u><u>2,486,403</u></u>

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, 2015**

	Program Revenues			Net(Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
Instruction:				
Regular	\$ 8,364,027	\$ 539,362	\$ 295,676	\$ (7,528,989)
Special	3,697,437	270,278	930,680	(2,496,479)
Vocational	157,778		41,790	(115,988)
Other	1,475,803			(1,475,803)
Support Services:				
Pupils	1,315,356		41,443	(1,273,913)
Instructional Staff	908,122		25,847	(882,275)
Board of Education	42,710			(42,710)
Administration	1,398,637		1,637	(1,397,000)
Fiscal	644,843		88	(644,755)
Operation and Maintenance of Plant	2,131,155	1,462	104,647	(2,025,046)
Pupil Transportation	1,101,771			(1,101,771)
Central	158,728			(158,728)
Operation of Non-Instructional Services	802,871	324,668	471,874	(6,329)
Extracurricular Activities	665,261	309,190	31,896	(324,175)
Interest and Fiscal Charges	1,318,351			(1,318,351)
Totals	\$ 24,182,850	\$ 1,444,960	\$ 1,945,578	(20,792,312)
 General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				8,778,190
Property Taxes, Levied for Capital Outlay				384,205
Property Taxes, Levied for Debt Service				2,049,682
Payments in Lieu of Taxes				171,585
Grants and Entitlements not Restricted to Specific Programs				18,238,024
Gifts and Donations				43,242
Investment Earnings				219,540
Miscellaneous				236,952
Premium on Bonds and Notes Issued				(179,091)
Proceeds from Sale of Capital Assets				5,250
Total General Revenues				29,947,579
Change in Net Position				9,155,267
Net Position Beginning of Year (Restated)				(6,668,864)
Net Position End of Year				\$ 2,486,403

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Bond Retirement Fund	State and Local Share Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 6,562,418	\$ 1,812,550	\$ 8,906,230	\$ 4,223,007	\$ 21,504,205
Investments	5,605,327		2,351,842	261,316	8,218,485
Materials and Supplies Inventory	55,249			4,788	60,037
Accrued Interest Receivable	3,593		3,740	1,127	8,460
Accounts Receivable	74,444				74,444
Interfund Receivable	55,000				55,000
Intergovernmental Receivable				130,683	130,683
Taxes Receivable	10,777,752	2,275,367		438,312	13,491,431
Revenue in Lieu of Taxes Receivable	163,218			8,367	171,585
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	51,337				51,337
Total Assets	\$ 23,348,338	\$ 4,087,917	\$ 11,261,812	\$ 5,067,600	\$ 43,765,667
Liabilities					
Accounts Payable	\$ 81,396		\$ 105	\$ 68,245	\$ 149,746
Accrued Wages and Benefits	1,914,068			155,163	2,069,231
Contracts Payable			1,534,175	2,502	1,536,677
Interfund Payable				55,000	55,000
Intergovernmental Payable	458,113			32,766	490,879
Matured Compensated Absences Payable	47,444				47,444
Total Liabilities	2,501,021		1,534,280	313,676	4,348,977
Deferred Inflow of Resources					
Property Levied for the Next Fiscal Year	9,281,642	1,878,062		374,212	11,533,916
Total Liabilities and Deferred Inflows of Resources	11,782,663	1,878,062	1,534,280	687,888	15,882,893
Fund Balances					
Nonspendable	55,249			4,788	60,037
Restricted		2,209,855	9,727,532	4,454,560	16,391,947
Assigned	381,322				381,322
Unassigned	11,129,104			(79,636)	11,049,468
Total Fund Balances	11,565,675	2,209,855	9,727,532	4,379,712	27,882,774
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 23,348,338	\$ 4,087,917	\$ 11,261,812	\$ 5,067,600	\$ 43,765,667

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015**

Total Governmental Fund Balances	\$	27,882,774
<p>Amounts reported for governmental activities on the statement of Net Position are different because of the following:</p> <p>The net pension liability is not due in the current period therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:</p>		
Deferred Outflows - Pension	1,756,765	
Deferred Inflows - Pension	(4,411,809)	
Net Pension Liability	(24,377,758)	(27,032,802)
<p>Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.</p>		
		37,353,496
<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	171,585	
Taxes Receivable	380,239	551,824
<p>Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:</p>		
Accrued Interest Payable	(110,848)	
Capital Leases Payable	(749,815)	
General Obligation Bonds Payable	(34,407,503)	
Compensated Absences Payable	(1,000,723)	
		(36,268,889)
Net Position of Governmental Activities	\$	2,486,403

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, 2015**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>State and Local Share Building Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property and Other Local Taxes	\$ 8,804,620	\$ 2,046,743	\$	\$ 385,468	\$ 11,236,831
Intergovernmental	12,558,840	302,825	5,324,773	2,088,596	20,275,034
Interest	30,085		176,966	13,441	220,492
Tuition and Fees	809,640				809,640
Rent	1,462				1,462
Extracurricular Activities	79,643			228,563	308,206
Gifts and Donations	19,742			48,301	68,043
Customer Sales and Services	62,598			263,054	325,652
Payments in Lieu of Taxes	206,940			10,892	217,832
Miscellaneous	206,067		5,484	51,597	263,148
Total Revenues	<u>22,779,637</u>	<u>2,349,568</u>	<u>5,507,223</u>	<u>3,089,912</u>	<u>33,726,340</u>
Expenditures					
Current:					
Instruction:					
Regular	8,049,916			383,824	8,433,740
Special	2,731,747			1,053,292	3,785,039
Vocational	160,949				160,949
Other	1,475,803				1,475,803
Support Services:					
Pupils	1,310,155			41,443	1,351,598
Instructional Staff	912,795			25,847	938,642
Board of Education	42,710				42,710
Administration	1,436,372			2,844	1,439,216
Fiscal	572,257	57,316		20,082	649,655
Operation and Maintenance of Plant	1,705,126			214,239	1,919,365
Pupil Transportation	1,068,137			(119,639)	948,498
Central	91,780			39,579	131,359
Operation of Non-Instructional Services				818,253	818,253
Extracurricular Activities	505,342			232,663	738,005
Capital Outlay	207,121		24,837,588	(71,156)	24,973,553
Debt Service:					
Principal	193,775	515,000		420,815	1,129,590
Interest	10,338	1,317,713		48,605	1,376,656
Total Expenditures	<u>20,474,323</u>	<u>1,890,029</u>	<u>24,837,588</u>	<u>3,110,691</u>	<u>50,312,631</u>
Excess of Revenues Over (Under) Expenditures	<u>2,305,314</u>	<u>459,539</u>	<u>(19,330,365)</u>	<u>(20,779)</u>	<u>(16,586,291)</u>
Other Financing Sources and (Uses)					
Transfers In				422,158	422,158
Premium on Bonds and Notes Issued			(143,237)	(35,854)	(179,091)
Proceeds from Sale of Capital Assets	2,750			2,500	5,250
Inception of Capital Lease	332,668				332,668
Transfers Out	(285,300)			(136,858)	(422,158)
Total Other Financing Sources and Uses	<u>50,118</u>		<u>(143,237)</u>	<u>251,946</u>	<u>158,827</u>
Net Change in Fund Balances	2,355,432	459,539	(19,473,602)	231,167	(16,427,464)
Fund Balance at Beginning of Year	9,210,243	1,750,316	29,201,134	4,148,545	44,310,238
Fund Balance at End of Year	<u>\$ 11,565,675</u>	<u>\$ 2,209,855</u>	<u>\$ 9,727,532</u>	<u>\$ 4,379,712</u>	<u>\$ 27,882,774</u>

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, 2015**

Net Change in Fund Balances - Total Governmental Funds	\$	(16,427,464)
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.</p>		1,526,903
<p>Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the statement of activities.</p>		(999,081)
<p>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 capital outlay exceeds depreciation in the current year.</p>		
Capital Outlay - Depreciable Capital Assets	25,115,145	
Depreciation	<u>(808,070)</u>	
		24,307,075
<p>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 Position and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.</p>		
Gain (Loss) on Disposal of Capital Assets		(14,166)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Delinquent Property Tax	(24,754)	
Intergovernmental	(91,432)	
Interest	(952)	
Gifts and donations	(24,801)	
Miscellaneous	(26,196)	
Payment in Lieu of Taxes	<u>(46,247)</u>	
		(214,382)
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.</p>		800,648
<p>Payments on Capital Lease</p>		328,942
<p>Inception of Capital Lease</p>		(332,668)
<p>Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums and discounts are reported as revenue/expenditures when the debt is first issued; however, these amounts are deferred and amortize on the statement of activities.</p>		
Accrued Interest Payable	<u>58,305</u>	58,305
<p>Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>		
Compensated Absences Payable		121,155
Change in Net Position of Governmental Activities	\$	<u><u>9,155,267</u></u>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property and Other Local Taxes	\$ 8,434,900	\$ 8,517,538	\$ 8,552,308	\$ 34,770
Intergovernmental	12,020,000	12,558,839	12,558,840	1
Interest	25,100	27,150	27,440	290
Tuition and Fees	708,000	768,247	768,247	
Rent	4,000	1,000	1,462	462
Gifts and Donations		9,455	13,755	4,300
Customer Sales and Services	63,400	62,598	62,598	
Payments in Lieu of Taxes	200,000	206,940	206,940	
Miscellaneous	32,500	59,751	59,751	
Total Revenues	<u>21,487,900</u>	<u>22,211,518</u>	<u>22,251,341</u>	<u>39,823</u>
Expenditures				
Current:				
Instruction:				
Regular	8,123,344	8,035,605	7,965,480	70,125
Special	3,107,549	2,815,041	2,748,228	66,813
Vocational	173,750	174,500	162,634	11,866
Other	1,530,000	1,582,014	1,582,015	(1)
Support Services:				
Pupils	1,121,645	1,370,016	1,354,931	15,085
Instructional Staff	689,587	693,965	671,634	22,331
Board of Education	48,750	48,750	40,592	8,158
Administration	1,491,141	1,451,650	1,405,153	46,497
Fiscal	594,354	596,607	580,942	15,665
Operation and Maintenance of Plant	1,783,747	1,809,236	1,784,576	24,660
Pupil Transportation	1,143,507	1,125,257	1,056,710	68,547
Central	132,708	109,788	96,464	13,324
Extracurricular Activities	401,830	432,830	419,373	13,457
Capital Outlay	281,530	215,411	215,411	
Debt Service:				
Principal	86,273	191,561	191,562	(1)
Interest	7,042	10,338	10,338	
Total Expenditures	<u>20,716,757</u>	<u>20,662,569</u>	<u>20,286,043</u>	<u>376,526</u>
Excess of Revenues Over Expenditures	<u>771,143</u>	<u>1,548,949</u>	<u>1,965,298</u>	<u>416,349</u>
Other Financing Sources and (Uses)				
Advances In	55,000	55,000	55,000	
Proceeds from Sale of Capital Assets	10,000	2,750	2,750	
Refund of Prior Year Expenditures	7,000	68,817	68,817	
Transfers Out	(225,000)	(285,300)	(285,300)	
Refund of Prior Year Receipts	(1,000)	(1,000)	(1,000)	1,000
Total Other Financing Sources and Uses	<u>(154,000)</u>	<u>(159,733)</u>	<u>(158,733)</u>	<u>1,000</u>
Net Change in Fund Balances	617,143	1,389,216	1,806,565	417,349
Fund Balance at Beginning of Year	9,671,740	9,671,740	9,671,740	
Prior Year Encumbrances Appropriated	299,725	299,725	299,725	
Fund Balance at End of Year	<u>\$ 10,588,608</u>	<u>\$ 11,360,681</u>	<u>\$ 11,778,030</u>	<u>\$ 417,349</u>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>12,165</u>	\$ <u>161,248</u>
Liabilities		
Current Liabilities:		
Undistributed Monies		\$ <u>161,248</u>
Net Position		
Held in Trust for Scholarships	\$ <u>12,165</u>	

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Private Purpose Trust</u>
Additions	
Gifts and Contributions	\$ <u>16,025</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>21,850</u>
Change in Net Position	(5,825)
Net Position Beginning of Year	<u>17,990</u>
Net Position End of Year	\$ <u><u>12,165</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, 2015**

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 216th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 89 classified employees and 143 certified teaching personnel, who provide services to 2,322 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, the Northwestern Ohio Educational Research Council, Inc., the Educational Regional Service System, Northern Buckeye Health Plan Northwest Division of Optimal Health Initiative Consortium, Northern Buckeye Health Plan Workers' Compensation Group Rating Plan, the Schools of Ohio risk Sharing Authority, and the Napoleon Public Library. Information about these organizations is presented in Notes 17, 18, and 19 to the basic financial statements.

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.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position 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 position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position 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.

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. Following are the District's major governmental funds:

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

The State and Local Share Building Fund - The State and Local Share Building Fund is used to account for revenues and expenditures related to the construction of new school buildings.

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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. 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 position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

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, 2015
(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 inflow of resources 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 Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 11.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11)

Pensions

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

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.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2015, the District invested in federal agency securities, negotiable certificates of deposit, nonnegotiable certificates of deposit, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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, 2015.

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 2015 amounted to \$30,085, which includes \$5,826 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.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 position 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:

<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 position.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, 2015.

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.

M. Bond Cost 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. Bond issuance costs are expensed. Bond premiums are deferred and accreted over the term of the bonds. Any gain or loss on a refunding is allocated over the life of the old debt or new debt, whichever is shorter. On the governmental fund financial statements, bond issuance costs, premiums and discounts are recognized in the period in which the debt is issued.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position investment in capital assets 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be in this component of net position. Net position 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 position 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 position is 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.

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.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. 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 2015.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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	\$2,355,432
Net Adjustment for Revenue Accruals	(395,244)
Net Adjustment for Expenditure Accruals	398,920
Net Adjustment for Other Sources/Uses	(208,851)
Encumbrances Outstanding at Year End (Budget Basis)	(348,742)
Perspective difference for Cash Reporting Purposes	
Activity of Funds Reclassified	5,050
Budget Basis	\$1,806,565

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.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

4. EQUITY IN POOLED CASH AND EQUIVALENTS - (Continued)

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 securities subject to the repurchase agreement must exceed the principal value of the agreement by 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. 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;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Commercial paper and bankers acceptances if trading requirements and Board approval have been met, for a period not to exceed 270 days and 180 days, respectively, from the purchase date in an amount not to exceed 40 percent of interim monies available for investment at any one time.
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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 \$304 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

At June 30, 2015, the carrying amount of all District deposits was \$21,728,651. 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, \$11,483,069 of the District's bank balance of \$22,053,257 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, 2015, the District had the following investments:

Investment Type	Fair Value	Maturing in Less than One year
Federal Home Loan Bank Notes	\$1,301,586	\$1,301,586
Federal National Mortgage Association Notes	330,003	330,003
STAR Ohio	38,066	38,066
Negotiable Certificates of Deposit	981,568	981,568
STAR Ohio – State Share	3,354,919	3,354,919
STAR Ohio – Legal Set Aside	655,041	655,041
STAR Ohio - Bond	1,557,302	1,557,302
Total Investments	\$8,218,485	\$8,218,485

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

4. EQUITY IN POOLED CASH AND EQUIVALENTS - (Continued)

Credit Risk - Federal Home Loan Banks Notes and Federal National Mortgage Association Notes carry a rating of Aaa by Moody's and AA+ by Standard and Poor's. STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Federal Home Loan Banks Notes and Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in the Federal Home Loan Banks Notes, Federal National Mortgage Association Notes, negotiable certificates of deposit, and Star Ohio represent 16 percent, 4 percent, 12 percent, and 68 percent, respectively, of the District's total investments.

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 2015 represent the collection of calendar year 2014 taxes. Real property taxes for 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by state statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2015 were levied after April 1, 2014, on the assessed values as of December 31, 2013, 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.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. PROPERTY TAXES - (Continued)

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, 2015, are available to finance fiscal year 2015 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, 2015 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 2015 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred inflow 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, 2015, was \$1,659,328 in the General Fund, \$397,305 in the Bond Retirement Fund, and \$72,467 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2014, was \$1,407,016 in the General Fund, \$281,505 in the Bond Retirement Fund, and \$59,063 in the Permanent Improvement Fund.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$238,388,380	83%	\$279,577,760	85%
Industrial/Commercial	42,486,580	15%	42,320,010	13%
Public Utility	4,983,370	2%	5,111,640	2%
Total Assessed Value	<u>\$285,858,330</u>	<u>100%</u>	<u>\$327,009,410</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$60.45		\$60.45	

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. RECEIVABLES

At June 30, 2015, receivables consisted of property taxes, accounts (rent and student fees), payments in lieu of taxes, intergovernmental, and accrued interest. 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
Taxes Receivable:	
General Fund	\$10,777,752
Bond Retirement Fund	2,275,367
Permanent Improvement Fund	438,312
Total Taxes Receivable	\$13,491,431
Accounts Receivable:	
General Fund	
Tuition and Fees	\$721
Extracurricular	151
Miscellaneous	73,572
Total Accounts Receivable	\$74,444
Payments in Lieu of Taxes Receivables:	
General Fund	\$163,218
Capital Projects Fund	8,367
Total Payments in Lieu of Taxes Receivable	\$171,585
Intergovernmental Receivables:	
All Other Governmental Funds	
Auxiliary Services Fund	\$7,156
Title I Fund	61,321
Title II-A Fund	4,006
Miscellaneous Federal Grants Fund	58,200
Total Intergovernmental Receivable	\$130,683

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance at 6/30/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2015</u>
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$1,045,049			\$1,045,049
Construction in Progress	4,234,705	\$24,766,754		29,001,459
Total Nondepreciable Capital Assets	<u>5,279,754</u>	<u>24,766,754</u>		<u>30,046,508</u>
Depreciable Capital Assets				
Land Improvements	2,052,555	35,305		2,087,860
Buildings and Building Improvements	14,933,329			14,933,329
Furniture, Fixtures, and Equipment	2,598,222	258,336	\$84,978	2,771,580
Vehicles	2,159,861	54,750		2,214,611
Totals	<u>21,743,967</u>	<u>348,391</u>	<u>84,978</u>	<u>22,007,380</u>
Less Accumulated Depreciation				
Land Improvements	1,640,949	64,440		1,705,389
Buildings and Building Improvements	9,574,983	390,133		9,965,116
Furniture, Fixtures, and Equipment	1,996,803	159,609	70,812	2,085,600
Vehicles	750,399	193,888		944,287
Total Accumulated Depreciation	<u>13,963,134</u>	<u>808,070</u>	<u>70,812</u>	<u>14,700,392</u>
Depreciable Capital Assets, Net	<u>8,571,866</u>	<u>(459,679)</u>	<u>14,166</u>	<u>7,306,988</u>
Governmental Activities Capital Assets,	<u>\$13,060,587</u>	<u>\$24,307,075</u>	<u>\$14,166</u>	<u>\$37,353,496</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$299,090
Special	1,875
Support Services:	
Pupils	3,698
Instructional Staff	3,902
Administration	1,476
Operation and Maintenance of Plant	139,094
Pupil Transportation	209,261
Central	40,551
Operation of Non-Instructional Services	2,585
Extracurricular	103,084
Capital Outlay	3,454
Total Depreciation Expense	<u>\$808,070</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

8. INTERFUND ASSETS/LIABILITIES

As of June 30, 2015, on the fund financial statements, Special Revenue and Capital Projects Funds owed the General Fund \$55,000. 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 (SORSA), Inc., an insurance purchasing pool, (Note 18) for insurance coverage. Coverages provided are as follows:

Property (building & contents)	\$64,131,585
Equipment Breakdown	50,000,000
Automobile Liability	15,000,000
Educators' Legal Liability	15,000,000
Crime Coverage	100,000
General Liability:	
Per Occurrence	15,000,000
General Annual Aggregate	17,000,000

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 Health Plan (NBHP), Northwest Division of OHI, a self- insurance pool, for insurance benefits to employees. The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. RISK MANAGEMENT – (Continued)

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 school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

11. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLANS - (Continued)

The District's contractually required contribution to SERS was \$356,377 for fiscal year 2015. Of this amount \$4,547 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLANS - (Continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,217,099 for fiscal year 2014. Of this amount \$197,272 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,324,424	\$20,053,334	\$24,377,758
Proportion of the Net Pension Liability	0.085447%	0.0824444%	
Pension Expense	\$226,282	772,799	999,081

At June 30, 2015, the District reported outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$36,805	\$193,057	\$229,862
District contributions subsequent to the measurement date	345,829	1,181,074	1,526,903
Total Deferred Outflows of Resources	\$382,634	\$1,374,131	\$1,756,765
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$701,866	\$3,709,943	\$4,411,809

\$1,526,903 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$166,265)	(\$879,221)	(\$1,045,486)
2017	(166,265)	(879,221)	(1,045,486)
2018	(166,265)	(879,221)	(1,045,486)
2019	(166,266)	(879,223)	(1,045,489)
Total	(\$665,061)	(\$3,516,886)	(\$4,181,947)

Actuarial Assumptions - SERS

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLANS - (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	1% Decrease ▀ (6.75%)	Current Discount Rate ▀ (7.75%)	1% Increase ▀ (8.75%)
School District's proportionate share of the net pension liability	\$6,169,668	\$4,324,424	\$2,772,414

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLANS - (Continued)

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$28,708,534	\$20,053,334	\$12,733,947

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, 2015, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy – Chapter 3307 of the Ohio Revised Code 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 post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$90,994, and \$90,152, respectively. The full amount has been contributed for all three fiscal years.

B. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. POSTEMPLOYMENT BENEFITS - (Continued)

fiscal year 2015, the District's surcharge obligation was \$44,902

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$64,504, \$46,639, and \$45,872, respectively. For fiscal year 2015, 99 percent has been contributed, with the balance being reported as intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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 do not earn vacation.

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 52.5 days. The amount paid to the Superintendent or Treasurer upon retirement is limited to 30% of the accumulated sick leave to a maximum of 75 days. 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, 2015 the current amount of matured compensated absences in all funds was \$47,444. The amount of long-term compensated absences in all funds was \$1,000,723.

Service Retirement Recognition Stipend: Certified Bargaining Unit Members who first become eligible to retire from the District with unreduced benefits, who have at least ten (10) years of service, who complete all scheduled work days in the year retiring and who are qualified for and receive service retirement benefits from STRS will be eligible for a service retirement recognition stipend (the stipend). The stipend will be a one-time cash payment of \$9,000. In order to qualify for the stipend the member must give notice of intent to retire to the Superintendent or designee no later than March 1 of the year in which he/she is first eligible to retire as stated above and retire at the end of the school year. The stipend will be paid to the VALIC Special Pay Plan account of the person entitled thereto. Such payment shall be made no later than the last day of the month following the month in which the retiring employee submits evidence of the employee having received his/her first retirement check from the retirement system.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2015, the following changes occurred in obligations reported in the Government-Wide financial statements:

	<u>Balance at 6/30/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/2015</u>	<u>Due Within One Year</u>
Series 2012 General Obligation Bonds	\$30,785,000		\$35,000	\$30,750,000	\$85,000
Series 2012 Unamortized Bond Premium	1,263,519		34,936	1,228,583	34,936
2005 Advance Refunding General Obligation Bonds	1,385,000		480,000	905,000	510,000
2005 Unamortized Bond Premium	56,504		20,704	35,800	20,704
Energy Conservation Loan 2006	1,122,359		140,891	981,468	146,924
EPA Asbestos Project	651,409		144,757	506,652	144,757
Total Long-Term Debt	<u>35,263,791</u>		<u>856,288</u>	<u>34,407,503</u>	<u>942,321</u>
Capital Leases	746,089	\$332,668	328,942	749,815	248,646
Net Pension Liability	28,968,656		4,590,898	24,377,758	
Compensated Absences	1,121,878		64,636	1,000,723	63,861
Total Long-Term Obligations	<u>\$66,100,414</u>	<u>\$332,668</u>	<u>\$5,840,764</u>	<u>\$60,535,799</u>	<u>\$1,254,828</u>

The scheduled payments of principal and interest on debt outstanding at June 30, 2015, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$942,321	\$1,330,177	\$2,272,498
2017	883,004	1,299,011	2,182,015
2018	854,468	1,276,026	2,130,494
2019	798,930	1,258,785	2,057,715
2020	748,686	1,241,001	1,989,687
2021-2025	3,245,870	5,935,886	9,181,756
2026-2030	3,554,680	5,423,800	8,978,480
2031-2035	4,154,680	4,796,250	8,950,930
2036-2040	5,139,680	3,795,499	8,935,179
2041-2045	6,224,680	2,673,376	8,898,056
2046-2050	7,854,680	997,500	8,852,180
2051	5,824	0	5,824
Total	<u>\$34,407,503</u>	<u>\$30,027,311</u>	<u>\$64,434,814</u>

School Facilities Construction and Improvement Bonds, Series 2012

The bonds were used for the purpose of constructing, adding to, and renovating and improving school facilities under the State of Ohio Classroom Facilities Assistance Program and locally funded initiatives, furnishing and equipping the same, and improving the sites thereof. These bonds were issued on August 15, 2012. The bonds consisted of \$3,540,000 in serial bonds and \$27,260,000 in term bonds.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

14. LONG-TERM OBLIGATIONS - (Continued)

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

Maturity Date (December 1)	Principal Amount	Interest Rate
2015	\$85,000	2.00%
2016	140,000	2.00%
2017	515,000	2.50%
2018	525,000	2.00%
2019	540,000	2.00%
2020	550,000	2.25%
2021	560,000	2.50%
2022	575,000	2.50%

The interest payment dates for the bonds shall be June 1 and December 1, commencing on December 1, 2012. The serial bonds shall be those bonds scheduled to mature on December 1, 2012 through 2022.

The term bonds which mature on December 1, 2024, have an interest rate of 4 percent per year, and are subject to mandatory sinking fund redemption prior to state maturity and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
December 1, 2023	\$590,000
December 1, 2024	615,000

The term bonds which mature on December 1, 2026, have an interest rate of 4 percent per year, and are subject to mandatory sinking fund redemption prior to state maturity and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
December 1, 2025	\$635,000
December 1, 2026	655,000

The term bonds which mature on December 1, 2028, have an interest rate of 3.125 percent per year, and are subject to mandatory sinking fund redemption prior to state maturity and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
December 1, 2027	\$675,000
December 1, 2028	695,000

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

14. LONG-TERM OBLIGATIONS - (Continued)

The term bonds which mature on December 1, 2030, have an interest rate of 3.25 percent per year, and are subject to mandatory sinking fund redemption prior to state maturity and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
December 1, 2029	\$720,000
December 1, 2030	740,000

The term bonds which mature on December 1, 2032, have an interest rate of 3.5 percent per year, and are subject to mandatory sinking fund redemption prior to state maturity and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
December 1, 2031	\$765,000
December 1, 2032	795,000

The term bonds which mature on December 1, 2036, have an interest rate of 5 percent per year, and are subject to mandatory sinking fund redemption prior to state maturity and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
December 1, 2033	\$820,000
December 1, 2034	860,000
December 1, 2035	905,000
December 1, 2036	950,000

The term bonds which mature on December 1, 2041, have an interest rate of 3.75 percent per year, and are subject to mandatory sinking fund redemption prior to state maturity and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
December 1, 2037	\$1,000,000
December 1, 2038	1,035,000
December 1, 2039	1,075,000
December 1, 2040	1,115,000
December 1, 2041	1,155,000

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

14. LONG-TERM OBLIGATIONS - (Continued)

The term bonds which mature on December 1, 2049, have an interest rate of 5 percent per year, and are subject to mandatory sinking fund redemption prior to state maturity and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
December 1, 2042	\$1,200,000
December 1, 2043	1,260,000
December 1, 2044	1,320,000
December 1, 2045	1,390,000
December 1, 2046	1,460,000
December 1, 2047	1,530,000
December 1, 2048	1,610,000
December 1, 2049	1,690,000

Advance Refunding General Obligation 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 position.

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

The refunding bonds out-standing 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:

Maturity Date	Principal Amount	Interest Rate
2015	\$510,000	5.000%
2016	395,000	5.000%

These bonds are not subject to redemption prior to maturity.

The Energy Conservation notes were issued in 2006 for \$2,060,000. The interest rate on the notes is 4.32 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. A semi-annual payment is required to be made by the District until November 2018.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. CAPITAL LEASES – LESSEE DISCLOSURE

During fiscal year 2013 and 2014, the District entered into three capital leases for the acquisition of buses and computer equipment. The leases meet 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, the bus lease was accounted for as Pupil Transportation expenditures in the Permanent Improvement fund. At inception, the two computer leases were accounted for as Instructional Staff expenditures in the General and Permanent Improvement funds. Capital lease payments have been reclassified and shown as debt service expenditures in the General and Permanent Improvement fund. Principal payments made during fiscal year 2015 totaled \$128,665 for the buses and \$200,277 for computer equipment.

	Governmental Activities
Property under Capital Leases	\$1,365,919
Less: Accumulated Depreciation	(589,381)
Total Capital Leases as of June 30, 2015	\$776,538

The following are future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2015.

	Computer Equipment	Buses
Principle Payments	\$484,948	\$264,867
Plus Interest Payments	22,420	7,732
Total Minimum Lease Payments as of June 30, 2015	\$507,368	\$272,599

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 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. In addition, for fiscal year 2015, 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.

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

	Capital Acquisition	Budget Stabilization
Set-aside Cash Balance as of June 30, 2014		\$51,337
Current Year Set-aside Requirement	\$355,987	
Current Year Offsets	\$(355,987)	
Total	51,337	51,337
Cash Balance Carried Forward to FY 2016	51,337	\$51,337

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

The District 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 the 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 the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$6,858. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during this fiscal year were \$114,534. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The 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 the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city districts; and one representative from each of the exempted village districts. The 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 \$180. To obtain financial information write to the Four County Career Center, Connie Nicely, 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, 2015
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS - (Continued)

D. Northwestern Ohio Educational Research Council, Inc.

The 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. The 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 the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

E. Educational Regional Service System

The 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.

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. There were no disbursements made by the District to the System during this fiscal year. Financial information can be obtained from the Lucas County Educational Service Center, 2275 Collingwood, Toledo, Ohio, 43620.

18. GROUP PURCHASING POOLS

A. Northern Buckeye Health Plan Northwest Division of OHIC

The District participates in a group health insurance pool through the Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities throughout the state. The Pool is governed by OHI and its participating members. The District contributed a total of \$2,319,915 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, Ohio 45242.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

18. GROUP PURCHASING POOLS – (Continued)

B. Northern Buckeye Health Plan Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under §4123.29 of the Ohio Revised Code. The Ohio Health Initiatives (OHI) Workers' Compensation Group Rating Plan (WCGRP) was established through the Ohio Health Initiatives (OHI) as a group purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. The Optimal Health Initiatives has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

Optimal Health Initiatives has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$2,248 to WCGRP to cover the costs of administering the program.

C. Schools of Ohio Risk Sharing Authority

The District participates in the 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 \$94,776 for these services to SORSA in fiscal year 2015.

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.

19. RELATED ORGANIZATION

Napoleon Public Library

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

20. INTERFUND TRANSACTIONS

During the year ended June 30, 2015, the following transfers in and out occurred:

Fund	Transfers In	Transfers Out
General Fund		\$285,300
Other Governmental Funds:		
Special Revenue Funds:		
Food Service Fund	\$60,000	
Facilities Maintenance Fund	136,858	
EMIS Fund	40,000	
Capital Project Funds:		
Permanent Improvement Fund		136,858
Building Fund	185,300	
Totals	\$422,158	\$422,158

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

21. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2015.

B. Litigation

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

22. ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2015 included the following individual fund deficits.

Nonmajor Governmental Funds	Deficit
Food Service Fund	\$56,941
Title I Fund	6,909
Title II-A Fund	10,998

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

22. ACCOUNTABILITY AND COMPLIANCE – (Continued)

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.

B. Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 12 to the financial statements, and added required supplementary information.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

Net Position June 30, 2014	\$20,891,760
Adjustments:	
Net Pension Liability	(28,968,656)
Deferred Outflow – Payments Subsequent to Measurement Date	1,408,032
Restated Net Position June 30, 2014	(\$6,668,864)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

23. CONTRACTUAL COMMITMENTS

As of June 30, 2015, the District had the following contractual purchase commitment for the construction of a new Ohio School Facilities Commission (OSFC) elementary school and permanent improvements on the District's middle / high school:

Company	Amount Remaining
Beilharz Architects	\$228,309
Stan and Associates	71,049
Shook Touchstone VI	10,192,271
Barton Marlow	256,930
Henry County Engineer	80,000
McNerney & Sons	161,869
Mel Lazer Co	14,124
Wenger Corp	28,489
Perry Protech	49,607
Straight Line	13,650
Total	\$11,096,298

24. SCHOOL FOUNDATION FUNDING

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

25. 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, 2015
(Continued)**

25. FUND BALANCE – (Continued)

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

Fund Balance	General	Bond Retirement	State and Local Share Building	Other Governmental	Total Governmental Funds
Nonspendable For:					
Materials and Supplies	\$55,249			\$4,788	\$60,037
Restricted For:					
Regular Instruction				22,990	22,990
Special Instruction				547,170	547,170
Support Services: Central				3,890	3,890
Athletics				114,085	114,085
Extracurricular Activities				6,507	6,507
Facilities Maintenance				388,565	388,565
Debt Retirement		\$2,209,855			2,209,855
Permanent Improvements				670,859	670,859
Building Construction			\$9,727,532	2,700,494	12,428,026
Total Restricted:		2,209,855	9,727,532	4,454,560	16,391,947
Assigned For:					
School Supplies	57,263				57,263
Rotary Special Services	4,700				4,700
Rotary	152				152
Public School Support	31,338				31,338
Encumbrances	287,869				287,869
Total Assigned	381,322				381,322
Unassigned	11,129,104			(79,636)	11,049,468
Total Fund Balance	<u>\$11,565,675</u>	<u>\$2,209,855</u>	<u>\$9,727,532</u>	<u>\$4,379,712</u>	<u>\$27,882,774</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO
LAST TWO FISCAL YEARS**

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.085447%	0.085447%
District's proportionate share of the net pension liability	\$ 4,324,424	\$ 5,081,259
District's covered-employee payroll	\$ 2,507,987	\$ 2,371,192
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.43%	214.29%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST TWO FISCAL YEARS**

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.08244441%	0.08244441%
District's proportionate share of the net pension liability	\$ 20,053,334	\$ 23,887,397
District's covered-employee payroll	\$ 9,071,508	\$ 9,015,215
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	221.06%	264.97%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO
LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 356,377	\$ 347,607	\$ 328,173	\$ 316,869
Contributions in relation to the contractually required contribution	<u>(356,377)</u>	<u>(347,607)</u>	<u>(328,173)</u>	<u>(316,869)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,703,923	\$ 2,507,987	\$ 2,371,192	\$ 2,355,903
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 279,697	\$ 294,822	\$ 242,451	\$ 248,181	\$ 280,686	\$ 263,888
<u>(279,697)</u>	<u>(294,822)</u>	<u>(242,451)</u>	<u>(248,181)</u>	<u>(280,686)</u>	<u>(263,888)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,225,115	\$ 2,177,415	\$ 2,463,933	\$ 2,527,301	\$ 2,628,146	\$ 2,494,216
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 1,217,099	\$ 1,179,296	\$ 1,171,978	\$ 1,212,769
Contributions in relation to the contractually required contribution	<u>(1,217,099)</u>	<u>(1,179,296)</u>	<u>(1,171,978)</u>	<u>(1,212,769)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,693,564	\$ 9,071,508	\$ 9,015,215	\$ 9,328,992
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
\$ 1,154,851	\$ 1,163,005	\$ 1,249,890	\$ 1,304,063	\$ 1,250,622	\$ 1,282,013
<u>(1,154,851)</u>	<u>(1,163,005)</u>	<u>(1,249,890)</u>	<u>(1,304,063)</u>	<u>(1,250,622)</u>	<u>(1,282,013)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,883,469	\$ 8,946,192	\$ 9,614,538	\$ 10,031,254	\$ 9,620,169	\$ 9,861,638
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program - Cash Assistance	10.553	\$63,106	\$63,106
National School Lunch Program Cash Assistance	10.555	318,684	318,684
Non- Cash Assistance (Food Distribution)		49,805	48,915
Total National School Lunch Program		<u>368,489</u>	<u>367,599</u>
Total U.S. Department of Agriculture		<u>431,595</u>	<u>430,705</u>
U.S. DEPARTMENT OF DEFENSE <i>Passed Through Ohio Department of Education:</i>			
National School Lunch Program Non- Cash Assistance (Food Distribution)	10.555	<u>11,849</u>	<u>11,849</u>
Total All National School Lunch Program - CFDA # 10.555		<u>380,338</u>	<u>379,448</u>
Total Child Nutrition Cluster		<u>443,444</u>	<u>442,554</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	452,777	452,777
Special Education Preschool Grants	84.173	<u>27,553</u>	<u>27,553</u>
Total Special Education Cluster		480,330	480,330
English Language Acquisition State Grants	84.365	4,933	4,933
Twenty-First Century Community Learning Centers	84.287	220,407	207,356
Title I Grants to Local Educational Agencies	84.010	483,630	468,745
Improving Teacher Quality State Grants	84.367	<u>78,861</u>	<u>78,583</u>
Total U.S. Department of Education		<u>1,268,161</u>	<u>1,239,947</u>
Total Federal Awards Receipts and Expenditures		<u>\$1,711,605</u>	<u>\$1,682,501</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports Napoleon Area City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note A describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The amount passed through to subrecipients was \$452,683.

NOTE C - 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 D – FOOD DONATION PROGRAM

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

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2016, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*".

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Columbus, Ohio

March 15, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Napoleon Area City School District, Henry County, Ohio's (the District) compliance with the applicable 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, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Napoleon Area City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 15, 2016

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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?	No
<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	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: Special Education Grants to States CFDA #84.027 and Special Education Preschool Grants CFDA #84.173 Nutrition Cluster: School Breakfast Program CFDA #10.553 and National School Lunch Program CFDA #10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2015-001

Material Weakness

Financial Reporting

On the Statement of Net Position, the Net Investment in Capital Assets was understated and Unrestricted Net Position was overstated due to a material misclassification of \$10,789,258. A portion of the debt pertaining to the increase in construction in progress capital assets was not properly factored into the calculation of Net Investment in Capital Assets.

An adjustment was recorded to the financial statements to correct this error.

Sound financial reporting is the responsibility of the Treasurer and Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the 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 FOR FEDERAL AWARDS

None

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Material weakness due to errors in financial statements.	No	Not Corrected. Reissued as finding 2015-001 in this report.
2014-002	Significant deficiency in completion of bank reconciliations.	Yes	.

This page intentionally left blank.



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
APRIL 26, 2016**