



Dave Yost • Auditor of State



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

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# 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, 2013, 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 Local School District, Henry County, Ohio, as of June 30, 2013, and the respective changes in financial position and, the budgetary comparison for the General fund 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, 2013, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. 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* 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 Federal Awards Receipts and Expenditures Schedule 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 relate 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 February 28, 2014, 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

February 28, 2014

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**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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, 2013. 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 2013 are as follows:

The District retired \$420,000 in general obligation bonds from amounts accumulated in the Bond Retirement Fund.

In total, net position increased \$1,147,085.

General revenues accounted for \$22,990,747 or 87.4 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 \$3,325,055 or 12.6 percent of total revenues of \$26,315,802.

The District's major funds are the General Fund, Bond Retirement Fund, and the State and Local Share Building Fund. The General Fund had \$19,852,983 in revenues and other financing sources and \$19,963,257 in expenditures and other financing uses. The General Fund's fund balance decreased \$110,274 from the prior fiscal year. The Bond Retirement Fund had \$1,960,954 in revenues and other financing sources and \$1,561,894 in expenditures. The Bond Retirement Fund's fund balance increased \$399,060 from the prior fiscal year. The State and Local Share Building Fund had \$30,583,492 in revenues and other financing sources and \$805,448 in expenditures. The State and Local Share Building Fund's fund balance increased \$29,778,044 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, Bond Retirement Fund, and the State and Local Share Building Fund.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

**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 2013. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net 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, 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**

Table 1 provides a summary of the District's net position for fiscal year 2013 compared to fiscal year 2012.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

**Table 1  
Net Position  
Governmental Activities**

	<b>2013</b>	<b>2012</b>
<b><u>Assets</u></b>		
Current and Other Assets	\$58,016,331	\$23,764,021
Capital Assets, Net	8,380,883	8,808,761
Total Assets	<u>66,397,214</u>	<u>32,572,782</u>
<b><u>Liabilities</u></b>		
Current and Other Liabilities	3,041,140	2,717,467
Long-Term Liabilities	37,455,357	6,194,824
Total Liabilities	<u>40,496,497</u>	<u>8,912,291</u>
Deferred Inflows of Resources	<u>10,428,622</u>	<u>9,335,481</u>
<b><u>Net Position</u></b>		
Invested in Capital Assets, Net of Related Debt	5,628,945	4,974,475
Restricted	6,053,962	2,250,306
Unrestricted	3,789,188	7,100,229
Total Net Position	<u>\$15,472,095</u>	<u>\$14,325,010</u>

Total assets increased by \$33,824,432 (104 percent). The increase in total assets was due to the proceeds from the new bond issue. Total liabilities increased by \$32,677,747 (179 percent). This is mainly due to a increase in long-term debt. Total net position increased by \$1,147,085 due to the effect of the new bond issue.

Table 2 reflects the changes in net position for fiscal year 2013 compared to fiscal year 2012.

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

	<b>2013</b>	<b>2012</b>
<b><u>Revenues</u></b>		
Program Revenues:		
Charges for Services and Sales	\$1,510,553	\$1,603,118
Operating Grants, Contributions and Interest	1,814,502	1,807,927
Total Program Revenues	<u>3,325,055</u>	<u>3,411,045</u>
General Revenues:		
Property Taxes	9,279,523	8,887,555
Grants and Entitlements	13,249,852	11,309,896
Payment in Lieu of Taxes	138,727	344,661
Interest	180,106	44,436
Gifts and Donations	69,149	98,226
Miscellaneous	71,862	92,419
Proceeds from Sale of Capital Assets	1,528	30,400
Total General Revenues	<u>22,990,747</u>	<u>20,807,593</u>
Total Revenues	<u>\$26,315,802</u>	<u>\$24,218,638</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

<b><u>Program Expenses</u></b>		
Instruction	13,458,680	13,573,357
Support Services:		
Pupils	1,112,953	1,303,983
Instructional Staff	1,358,703	1,018,726
Board of Education	48,357	43,166
Administration	1,405,515	1,503,915
Fiscal	633,665	622,361
Operation and Maintenance of Plant	2,803,306	1,847,111
Pupil Transportation	1,175,429	1,101,662
Central	212,257	399,904
Non-Instructional	839,575	935,316
Extracurricular Activities	809,500	696,460
Interest and Fiscal Charges	1,310,777	197,312
Total Expenses	<u>25,168,717</u>	<u>23,243,273</u>
Increase in Net Position	<u>\$1,147,085</u>	<u>\$975,365</u>

Total revenues increased by \$2,097,164 (8.66 percent) due to the increase in property taxes and operating grants.

Program revenues account for 12.64 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 increased by \$1,925,444 (8.28 percent) due largely to the increase in operation and maintenance of plant and equipment as well as increases in interest and fiscal charges. Instructional staff and extracurricular also had significant increases from the prior year while pupils had significant decrease from the prior year. The net result of these changes had some effect on total expenditures. These changes in the types of expenditures were due largely to construction in progress on the new school buildings.

The major program expenses for governmental activities are for instruction, which accounts for 53 percent of all governmental expenses. Other programs, which support the instruction process, including pupils, instructional staff, operation and maintenance of plant and pupil transportation, account for 26 percent of governmental expenses. Therefore, over 79 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, 2013  
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>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>
Instruction	\$13,458,680	\$11,864,970	\$13,573,357	\$11,914,226
Support Services:				
Pupils	1,112,953	1,112,953	1,303,983	1,278,773
Instructional Staff	1,358,703	888,936	1,018,726	563,109
Board of Education	48,357	48,357	43,166	43,166
Administration	1,405,515	1,405,033	1,503,915	1,502,403
Fiscal	633,665	633,665	622,361	612,959
Operation and Maintenance of Plant	2,803,306	2,789,471	1,847,111	1,808,889
Pupil Transportation	1,175,429	1,110,466	1,101,662	1,101,662
Central	212,257	203,257	399,904	390,904
Non-Instructional	839,575	(22,105)	935,316	13,468
Extracurricular Activities	809,500	497,882	696,460	405,357
Interest and Fiscal Charges	1,310,777	1,310,677	197,312	197,312
Total Expenses	<u>\$25,168,717</u>	<u>\$21,843,662</u>	<u>\$23,243,273</u>	<u>\$19,832,228</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 88 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 87 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, Bond Retirement Fund, and the State and Local Share Building Fund. General Fund revenues decreased by 3.0 percent; this was due to a decrease in property and other local taxes revenues. General Fund expenditures decreased by 0.5 percent. The General Fund balance decreased by \$110,274 in 2013 primarily due to a decrease in local tax revenues.

The Bond Retirement Fund revenues increased by 201.70 percent; this was due to an increase in property and other local taxes revenues. The Bond Retirement Fund expenditures increased by 188.1 percent. The Bond Retirement Fund balance increased by \$399,060 in 2013 due primarily to an increase in property and local tax revenues.

The State and Local Share Building Fund revenues increased by 100.0 percent; this was due to a transfer in for the building construction project. The State and Local Share Building Fund expenditures increased by 100.0 percent. The State and Local Share Building Fund balance increased by \$29,778,044 in 2013 due primarily to a transfer in from the Bond LFI fund.

**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 2013, the District amended its General Fund budget as needed.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

General Fund final and original budgeted revenues and other financing sources were \$19,633,148 and \$19,533,000, respectively, an increase of \$100,148 (0.5 percent). This increase is primarily due to increasing anticipated grant revenue. Actual revenues and other financing sources were \$19,677,659. This represents an increase of \$44,511 (less than 1 percent) from the final budget.

General Fund original appropriations (appropriated expenditures plus other financing uses) of \$21,767,054 were increased to \$21,776,783 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$19,947,967, which was \$1,828,816 (less than 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 2013, the District had \$8,380,883 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of 5 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, 2013, the District's long term obligations, which include general obligation bonds, EPA asbestos abatement project, energy conservation and non-interest bearing notes and compensated absences, were \$37,455,357, up 504.6 percent from the end of fiscal year 2012. This is due issuance of \$30,800,000 in general obligation bonds for building construction, during the fiscal year.

At June 30, 2013, the District's overall legal debt margin was (\$6,945,275) with an unvoted debt margin of \$285,441.

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 2012 which will be used to construct new schools.

**Contacting the District's Financial Management**

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

		<u><b>Governmental Activities</b></u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$	22,908,451
Investments		22,136,264
Materials and Supplies Inventory		138,418
Accrued Interest Receivable		42,643
Accounts Receivable		1,009
Intergovernmental Receivable		294,573
Taxes Receivable		12,285,932
Revenue in Lieu of Taxes Receivable		209,041
Non-Depreciable Capital Assets		389,956
Depreciable Capital Assets, net		7,990,927
<b>Total Assets</b>		<u><b>66,397,214</b></u>
<b>Liabilities</b>		
Accounts Payable		276,851
Accrued Wages and Benefits		2,052,288
Intergovernmental Payable		490,951
Accrued Interest Payable		115,975
Matured Compensated Absences Payable		105,075
Deferred Revenue		
Long-Term Liabilities:		
Due Within One Year		898,336
Due in More Than One Year		36,557,021
<b>Total Liabilities</b>		<u><b>40,496,497</b></u>
<b>Deferred Inflows of Resources</b>		
Property Taxes Levied for the Next Fiscal Year		<u>10,428,622</u>
<b>Net Position</b>		
Net Investment in Capital Assets		5,628,945
Restricted for Debt Service		1,493,553
Restricted for Capital Outlay		3,255,657
Restricted for Other Purposes		1,304,752
Unrestricted		3,789,188
<b>Total Net Position</b>	<b>\$</b>	<u><u><b>15,472,095</b></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, 2013**

		<b>Program Revenues</b>			<b>Net(Expense) Revenue and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>		<b>Governmental Activities</b>
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 8,730,902	\$ 833,140	\$ 207,431	\$	(7,690,331)
Special	2,983,771		511,283		(2,472,488)
Vocational	239,539		41,856		(197,683)
Other	1,504,468				(1,504,468)
Support Services:					
Pupils	1,112,953				(1,112,953)
Instructional Staff	1,358,703		469,767		(888,936)
Board of Education	48,357				(48,357)
Administration	1,405,515		482		(1,405,033)
Fiscal	633,665				(633,665)
Operation and Maintenance of Plant	2,803,306	9,189	4,646		(2,789,471)
Pupil Transportation	1,175,429		64,963		(1,110,466)
Central	212,257		9,000		(203,257)
Operation of Non-Instructional Services	839,575	356,606	505,074		22,105
Extracurricular Activities	809,500	311,618			(497,882)
Interest and Fiscal Charges	1,310,777				(1,310,777)
<b>Totals</b>	<b>\$ 25,168,717</b>	<b>\$ 1,510,553</b>	<b>\$ 1,814,502</b>		<b>(21,843,662)</b>
 General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					7,475,239
Property Taxes, Levied for Capital Outlay					362,637
Property Taxes, Levied for Debt Service					1,441,647
Grants and Entitlements not Restricted to Specific Programs					13,249,852
Payments in Lieu of Taxes					138,727
Gifts and Donations					69,149
Investment Earnings					180,106
Miscellaneous					71,862
Proceeds from Sale of Capital Assets					1,528
<b>Total General Revenues</b>					<b>22,990,747</b>
Change in Net Position					1,147,085
Net Position Beginning of Year					14,325,010
<b>Net Position End of Year</b>				<b>\$</b>	<b>15,472,095</b>

See Accompanying Notes to the Basic Financial Statements



NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>State and Local Share Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 9,230,020	\$ 1,304,293	\$ 9,689,406	\$ 2,633,394	\$ 22,857,113
Investments	58,515		20,049,126	2,028,624	22,136,265
Materials and Supplies Inventory	131,996			6,422	138,418
Accrued Interest Receivable	2,572		40,071		42,643
Accounts Receivable	1,009				1,009
Interfund Receivable	172,000				172,000
Intergovernmental Receivable				294,573	294,573
Taxes Receivable	9,926,024	1,898,866		461,042	12,285,932
Revenue in Lieu of Taxes Receivable	198,589			10,452	209,041
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	51,337				51,337
<b>Total Assets</b>	<u>19,772,062</u>	<u>3,203,159</u>	<u>29,778,603</u>	<u>5,434,507</u>	<u>58,188,331</u>
<b>Liabilities</b>					
Accounts Payable	51,976		559	224,316	276,851
Accrued Wages and Benefits	1,922,770			129,518	2,052,288
Interfund Payable				172,000	172,000
Intergovernmental Payable	456,490			34,461	490,951
Matured Compensated Absences Payable	105,075				105,075
<b>Total Liabilities</b>	<u>2,536,311</u>	<u>-</u>	<u>559</u>	<u>560,295</u>	<u>3,097,165</u>
<b>Deferred Inflow of Resources</b>					
Property Levied for the Next Fiscal Year	8,644,478	1,593,631		646,070	10,884,179
Delinquent Property Tax Revenue Not Available	259,139	58,470		12,454	330,063
<b>Total Deferred Inflows of Resources</b>	<u>8,903,617</u>	<u>1,652,101</u>	<u>-</u>	<u>658,524</u>	<u>11,214,242</u>
<b>Fund Balances</b>					
Nonspendable	131,996			6,422	138,418
Restricted		1,551,058	27,011,632	4,240,855	32,803,545
Committed			2,766,412		2,766,412
Assigned	2,446,318				2,446,318
Unassigned (Deficit)	5,753,820			(31,589)	5,722,231
<b>Total Fund Balances</b>	<u>8,332,134</u>	<u>1,551,058</u>	<u>29,778,044</u>	<u>4,215,688</u>	<u>43,876,924</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 19,772,062</u>	<u>\$ 3,203,159</u>	<u>\$ 29,778,603</u>	<u>\$ 5,434,507</u>	<u>\$ 58,188,331</u>

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, 2013**

Total Governmental Fund Balances \$ 43,876,924

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. 8,380,883

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflow of resources in the funds:

Revenue in Lieu of Taxes Receivable	209,041	
Intergovernmental Receivable	246,516	
Taxes Receivable	330,063	
	<hr/>	
		785,620

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Accrued Interest Payable	(115,975)	
Capital Leases Payable	(113,667)	
General Obligation Bonds Payable	(36,064,294)	
Compensated Absences Payable	(1,277,396)	
	<hr/>	
		(37,571,332)

Net Position of Governmental Activities \$ 15,472,095

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, 2013**

	<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>
<b>Revenues</b>					
Property and Other Local Taxes	\$ 7,488,003	\$ 1,401,738		\$ 363,238	\$ 9,252,979
Intergovernmental	11,095,348	187,494	\$ 1,961,979	1,694,917	14,939,738
Interest	27,729	395	139,474	12,508	180,106
Tuition and Fees	833,140				833,140
Rent	2,639			6,550	9,189
Extracurricular Activities	73,721			227,609	301,330
Gifts and Donations	22,477			46,672	69,149
Customer Sales and Services	61,144			305,750	366,894
Payments in Lieu of Taxes	208,804			10,990	219,794
Miscellaneous	36,380			35,482	71,862
Total Revenues	<u>19,849,385</u>	<u>1,589,627</u>	<u>2,101,453</u>	<u>2,703,716</u>	<u>26,244,181</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	8,107,072			377,406	8,484,478
Special	2,584,514			409,523	2,994,037
Vocational	238,136				238,136
Other	1,504,468				1,504,468
Support Services:					
Pupils	1,050,727			58,321	1,109,048
Instructional Staff	881,543			473,717	1,355,260
Board of Education	48,357				48,357
Administration	1,448,329			(856)	1,447,473
Fiscal	571,799	37,760		20,200	629,759
Operation and Maintenance of Plant	1,541,312			35,780	1,577,092
Pupil Transportation	905,341			122,173	1,027,514
Central	235,854			47,229	283,083
Operation of Non-Instructional Services				824,868	824,868
Extracurricular Activities	474,755			233,141	707,896
Capital Outlay	28,575		805,448	423,755	1,257,778
Debt Service:					
Principal	122,175	420,000		360,224	902,399
Interest		1,104,134		55,780	1,159,914
Total Expenditures	<u>19,742,957</u>	<u>1,561,894</u>	<u>805,448</u>	<u>3,441,261</u>	<u>25,551,560</u>
Excess of Revenues Over (Under) Expenditures	<u>106,428</u>	<u>27,733</u>	<u>1,296,005</u>	<u>(737,545)</u>	<u>692,621</u>
<b>Other Financing Sources and (Uses)</b>					
Transfers In	2,070	371,327	28,482,039	352,512	29,207,948
General Obligation Bonds and other Deferred charges				32,127,568	32,127,568
Proceeds from Sale of Capital Assets	1,528				1,528
Inception of Capital Lease				144,366	144,366
Transfers Out	(220,300)			(28,987,648)	(29,207,948)
Total Other Financing Sources and Uses	<u>(216,702)</u>	<u>371,327</u>	<u>28,482,039</u>	<u>3,636,798</u>	<u>32,273,462</u>
Net Change in Fund Balances	(110,274)	399,060	29,778,044	2,899,253	32,966,083
Fund Balance (Deficit) at Beginning of Year	8,442,408	1,151,998	-	1,316,435	10,910,841
Fund Balance (Deficit) at End of Year	<u>\$ 8,332,134</u>	<u>\$ 1,551,058</u>	<u>\$ 29,778,044</u>	<u>\$ 4,215,688</u>	<u>\$ 43,876,924</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, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ 32,966,083

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

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

Capital Outlay - Depreciable Capital Assets	328,069	
Depreciation	<u>(749,391)</u>	(421,322)

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.

Loss on Disposal of Capital Assets		(6,556)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Delinquent Property Tax	26,544	
Intergovernmental	124,616	
Payment in Lieu of Taxes	<u>(81,067)</u>	70,093

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

Payments on Capital Lease		152,874
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Inception of Capital Lease		(144,366)
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Acquisition of General Obligation Bonds and Bond Premium		(32,127,568)
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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.

Accrued Interest Payable	(150,863)	
Amortization on Bond Premium	<u>(49,817)</u>	(200,680)

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:

Compensated Absences Payable		59,185
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Change in Net Position of Governmental Activities		<u><u>\$ 1,147,085</u></u>
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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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Property and Other Local Taxes	\$ 7,500,000	\$ 7,398,170	\$ 7,398,170	\$ -
Intergovernmental	10,817,000	11,095,348	11,095,348	-
Interest	45,000	25,500	26,223	723
Tuition and Fees	809,500	738,465	782,231	43,766
Rent	7,500	2,639	2,639	-
Gifts and Donations	-	13,633	13,633	-
Customer Sales and Services	64,500	61,144	61,144	-
Payments in Lieu of Taxes	200,000	208,804	208,804	-
Miscellaneous	24,000	22,778	22,800	22
<b>Total Revenues</b>	<u>19,467,500</u>	<u>19,566,481</u>	<u>19,610,992</u>	<u>44,511</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,116,667	8,099,487	8,071,447	28,040
Special	3,076,391	3,008,365	2,593,476	414,889
Vocational	259,000	260,879	252,164	8,715
Other	1,494,000	1,504,469	1,504,468	1
Support Services:				
Pupils	1,335,775	1,306,759	1,028,629	278,130
Instructional Staff	741,486	912,896	892,813	20,083
Board of Education	50,775	50,943	48,220	2,723
Administration	1,524,044	1,541,091	1,440,043	101,048
Fiscal	618,982	627,127	573,020	54,107
Operation and Maintenance of Plant	1,864,025	1,820,755	1,639,824	180,931
Pupil Transportation	1,032,163	1,056,143	1,019,805	36,338
Central	248,878	244,313	235,029	9,284
Extracurricular Activities	437,931	414,325	388,035	26,290
Capital Outlay	723,937	695,931	33,694	662,237
<b>Total Expenditures</b>	<u>21,524,054</u>	<u>21,543,483</u>	<u>19,720,667</u>	<u>1,822,816</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,056,554)</u>	<u>(1,977,002)</u>	<u>(109,675)</u>	<u>1,867,327</u>
<b>Other Financing Sources and (Uses)</b>				
Transfers In		2,070	2,070	-
Advances In	55,000	55,000	55,000	-
Proceeds from Sale of Capital Assets	2,500	1,528	1,528	-
Refund of Prior Year Expenditures	8,000	8,069	8,069	-
Transfers Out	(240,000)	(225,300)	(220,300)	5,000
Advances Out	(2,000)	(7,000)	(7,000)	-
Refund of Prior Year Receipts	(1,000)	(1,000)		1,000
<b>Total Other Financing Sources and Uses</b>	<u>(177,500)</u>	<u>(166,633)</u>	<u>(160,633)</u>	<u>6,000</u>
<b>Net Change in Fund Balance</b>	<u>(2,234,054)</u>	<u>(2,143,635)</u>	<u>(270,308)</u>	<u>1,873,327</u>
Fund Balance at Beginning of Year	8,985,577	8,985,577	8,985,577	-
Prior Year Encumbrances Appropriated	367,409	367,409	367,409	-
<b>Fund Balance at End of Year</b>	<u>\$ 7,118,932</u>	<u>\$ 7,209,351</u>	<u>\$ 9,082,678</u>	<u>\$ 1,873,327</u>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 21,219</u>	<u>\$ 159,115</u>
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies		<u>\$ 159,115</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>\$ 21,219</u>	

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Gifts and Contributions	<u>\$ 17,965</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>17,500</u>
Change in Net Position	465
Net Position Beginning of Year	<u>20,754</u>
Net Position End of Year	<u><u>\$ 21,219</u></u>

See Accompanying Notes to the Basic Financial Statements

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**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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 238<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 88 classified employees and 143 certified teaching personnel, who provide services to 2,113 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, 2013  
(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, 2013  
(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, 2013  
(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 Inflows of Resources and Deferred Outflows of Resources

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as a deferred inflow. Special assessments and sales taxes not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as a deferred inflow in the governmental funds. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflow.

Expenditures/Expenses

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**E. Budgetary Process**

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

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

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

**F. Pooled Cash and Investments**

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

During fiscal year 2013, the District invested in nonnegotiable certificates of deposit, and STAR Ohio. Investments are reported at cost, except STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$27,729, which includes \$6,239 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.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Inventory**

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

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

**H. Restricted Assets**

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

**I. Capital Assets**

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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, 2013.

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.

**Bond Cost and Premiums**

- M.** On government-wide financial statements bond premiums and discounts 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 the 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, 2013  
(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 included 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 are available.

**O. Fund Balance**

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

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

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

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

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

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



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 2013.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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.

<b>Net Change in Fund Balance</b>	
	<b>General</b>
GAAP Basis	(\$110,274)
Net Adjustment for Revenue Accruals	(100,297)
Net Adjustment for Expenditure Accruals	61,948
Net Adjustment for Other Sources/Uses	56,069
Encumbrances Outstanding at Year End (Budget Basis)	(161,232)
Perspective difference for Cash Reporting Purposes	
Activity of Funds Reclassified	(16,522)
Budget Basis	(\$270,308)

**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, 2013  
(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 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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if trading requirements have been met, for a period not to exceed 180 days in an amount not to exceed 25 percent of interim monies available for investment at any one time.

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 \$50 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$12,017,198 of the District's bank balance of \$23,580,785 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, 2013, the District had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Maturing in Less than One year</b>	<b>Maturing in One to Two Years</b>	<b>Maturing in Two to Three Years</b>
Federal Farm Credit Bank Notes	\$725,631		\$725,631	
Federal Home Loan Bank Notes	6,336,009	\$3,935,578	1,101,848	\$1,298,583
Federal Home Loan Mortgage Credit Notes	7,539,020		7,539,020	
Federal National Mortgage Association Notes	4,106,564	2,615,496	1,160,629	330,439
Money Market	90,208	90,208		
OWDA Municipal Bonds	1,488,795	1,488,795		
STAR Ohio	38,038	38,038		
STAR Ohio State	1,791,522	1,791,522		
STAR Ohio Bond	20,477	20,477		
<b>Total Investments</b>	<b>\$22,136,264</b>	<b>\$9,980,114</b>	<b>\$10,527,128</b>	<b>\$1,629,022</b>

*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, 2013  
(Continued)**

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

*Credit Risk* - Federal Home Loan Bank Notes, Federal Home Loan Banks Notes, The Federal Home Loan Mortgage Credit Notes, Federal National Mortgage Association Notes, and 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 that 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. The Federal Home Loan Bank Notes, Federal Home Loan Banks Notes, The Federal Home Loan Mortgage Credit Notes, 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 Bank Notes, Federal Home Loan Banks Notes, the Federal Home Loan Mortgage Credit Notes, and the Federal National Mortgage Association Notes, represent 3 percent, 29 percent, 34 percent, and 19 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 2013 represent the collection of calendar year 2012 taxes. Real property taxes for 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 were levied after April 1, 2012, on the assessed values as of December 31, 2010, 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, 2013  
(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, 2013, are available to finance fiscal year 2014 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, 2013 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 2013 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, 2013, was \$1,220,996 in the General Fund, \$246,765 in the Debt Service Fund, and \$59,486 in the Capital Projects Fund. The amount available as an advance at June 30, 2012, was \$1,131,163 in the General Fund, \$80,682 in the Debt Service Fund, and \$55,133 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	<b>2012 Second- Half Collections</b>		<b>2013 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$237,835,420	84%	\$238,075,590	83%
Industrial/Commercial	41,644,860	15%	42,732,700	15%
Public Utility	4,053,230	1%	4,633,100	2%
Total Assessed Value	<u>\$283,533,510</u>	<u>100%</u>	<u>\$285,441,390</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$52.70		\$57.55	

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**6. RECEIVABLES**

Receivables at June 30, 2013, consisted of property taxes, accounts (rent and student fees), payments in lieu of taxes, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

	<u>Amount</u>
Accounts Receivable:	
All Other Governmental Funds	
Tuition and Fees	\$1,009
Total All Accounts Receivable	<u>\$1,009</u>
Payments in Lieu of Taxes	
Receivables:	
General Fund	\$198,589
Capital Projects Fund	10,452
Total Payments in Lieu of Taxes Receivable	<u>\$209,041</u>
Intergovernmental Receivables:	
Education Jobs Fund	
Title I Fund	\$271,573
Title II-A	23,000
Total Governmental Activities	<u>\$294,573</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**7. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance at 6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/13</u>
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$254,016			\$254,016
Construction in Progress	8,763	\$127,177		135,940
Total Nondepreciable Capital Assets	<u>262,779</u>	<u>127,177</u>		<u>389,956</u>
Depreciable Capital Assets				
Land Improvements	2,052,555			2,052,555
Buildings and Building Improvements	14,911,019	22,310		14,933,329
Furniture, Fixtures, and Equipment	2,431,475	178,582	\$17,219	2,592,838
Vehicles	2,079,350			2,079,350
Totals	<u>21,474,399</u>	<u>200,892</u>	<u>17,219</u>	<u>21,658,072</u>
Less Accumulated Depreciation				
Land Improvements	1,514,696	63,294		1,577,990
Buildings and Building Improvements	8,793,929	390,229		9,184,158
Furniture, Fixtures, and Equipment	1,670,853	175,684	10,663	1,835,874
Vehicles	948,939	120,184		1,069,123
Total Accumulated Depreciation	<u>12,928,417</u>	<u>749,391</u>	<u>10,663</u>	<u>13,667,145</u>
Depreciable Capital Assets, Net	<u>8,545,982</u>	<u>(548,499)</u>	<u>6,556</u>	<u>7,990,927</u>
Governmental Activities Capital Assets, Net	<u>\$8,808,761</u>	<u>(\$421,322)</u>	<u>\$6,556</u>	<u>\$8,380,883</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$330,639
Special	1,875
Support Services:	
Pupils	3,698
Instructional Staff	
Administration	4,211
Operation and Maintenance of Plant	133,910
Pupil Transportation	138,222
Central	39,575
Operation of Non-Instructional Services	3,131
Extracurricular	92,516
Capital Outlay	1,614
Total Depreciation Expense	<u>\$749,391</u>



**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**8. INTERFUND ASSETS/LIABILITIES**

As of June 30, 2013, on the fund financial statements, Special Revenue and Capital Projects Funds owed the General Fund \$172,000. 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**

The District is exposed to various risks of loss related to torts, theft of or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District participates in the Schools of Ohio Risk Sharing Authority, Inc., an insurance purchasing pool, (Note 18) for insurance coverage. Coverages provided are as follows:

Property (building & contents)	\$61,073,418
Automobile Liability	12,000,000
Educators' Legal Liability	12,000,000
Crime Coverage	100,000
General Liability:	
Per Occurrence	12,000,000
General Annual Aggregate	14,000,000

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.

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.

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.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**11. PENSION AND RETIREMENT PLANS**

**A. State Teachers Retirement System**

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

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

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

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contributions rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,171,978, \$1,212,769 and \$1,154,851, respectively; 83.30 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**11. PENSION AND RETIREMENT PLANS (Continued)**

**B. School Employee Retirement System**

Plan Description – The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

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 requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. 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, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The District's required contribution for pension obligations to SERS the fiscal years ended June 30, 2013, 2012, and 2011 was \$310,626, \$299,200, and \$262,786, respectively; 35.31 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2013, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**12. POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

Plan Description – The District contributes to 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. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

Funding Policy – Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$90,152, \$93,290, and \$88,835, respectively; 83.30 percent has been contributed for 2013 and 100 percent for fiscal years 2012 and 2011.

**B. School Employee Retirement System**

Plan Description - The District participates to two cost-sharing, multiple employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. An addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2013, this amount was \$20,525. For fiscal year 2013, the School District paid \$42,078 in surcharge.

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

The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$45,872, \$49,672, and \$69,113 respectively. For fiscal year 2013, 94.65 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was .74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$17,547, \$17,669, and \$16,911, respectively; 35.31 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**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 50.00 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, 2013 the current amount of matured compensated absences in all funds was \$70,985. The amount of long-term compensated absences in all funds was \$1,206,411.

**Service Retirement Recognition Stipend:** Bargaining Unit Members who first become eligible (have five years of service credit and have attained age sixty, or have twenty-five years of service credit and have attained age fifty-five, or have thirty years of service credit) to retire from the District 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, 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, 2013  
(Continued)**

**14. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2013, the following changes occurred in obligations reported in the Government-Wide financial statements:

	<u>Balance at 6/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/13</u>	<u>Due Within One Year</u>
2012 General Obligation Bonds		\$30,800,000		\$30,800,000	\$15,000
Unamortized Bond Premium 2012 Issue		1,327,568	\$29,113	1,298,455	34,936
2005 Advance Refunding General Obligation Bonds	\$2,255,000		420,000	1,835,000	450,000
Unamortized Bond Premium	97,912		20,704	77,208	20,704
Energy Conservation Loan 2006	1,387,023		129,558	1,257,465	135,106
EPA Asbestos Project	926,045		129,879	796,166	144,757
2009 Dodge Ram Truck	4,167		4,167		
EPA Asbestos Loan	65,921		65,921		
Total Long-Term Debt	<u>4,736,068</u>	<u>32,127,568</u>	<u>799,342</u>	<u>36,064,294</u>	<u>800,503</u>
Capital Leases	122,175	144,366	152,874	113,667	26,848
Compensated Absences	1,336,581		59,185	1,277,396	70,985
Total Long-Term Obligations	<u>\$6,194,824</u>	<u>\$32,271,934</u>	<u>\$1,011,401</u>	<u>\$37,455,357</u>	<u>\$898,336</u>

The scheduled payments of principal and interest on debt outstanding at June 30, 2013, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$800,503	\$1,391,695	\$2,192,198
2015	856,289	1,362,160	2,218,449
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
2019-2023	3,518,614	6,116,847	9,635,461
2024-2028	3,344,680	5,636,366	8,981,046
2029-2033	3,889,680	5,082,509	8,972,189
2034-2038	4,709,680	4,219,375	8,929,055
2039-2043	5,754,680	3,171,000	8,925,680
2044-2048	7,134,680	1,729,000	8,863,680
2049-2051	3,375,695	167,000	\$3,542,695
Total	<u>\$36,064,294</u>	<u>\$32,781,166</u>	<u>\$68,845,460</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**14. LONG-TERM OBLIGATIONS (Continued)**

**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.

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**14. LONG-TERM OBLIGATIONS (Continued)**

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

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:



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**14. LONG-TERM OBLIGATIONS (Continued)**

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

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

Maturity Date	Principal Amount	Interest Rate
2013	\$450,000	5.000%
2014	480,000	5.000%
2015	510,000	5.000%
2016	395,000	5.000%

These bonds are not subject to redemption prior to maturity.

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**14. LONG-TERM OBLIGATIONS (Continued)**

The Energy Conservation notes were issued in 2006 for \$2,560,000. 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.

The District purchased a 2009 Dodge Ram Truck for \$24,999. This loan is interest free. The loan was paid off during the fiscal year.

**15. CAPITAL LEASES – LESSEE DISCLOSURE**

In fiscal year 2009, the District entered into two capital leases for the acquisition of buses. The lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the bus lease was accounted for as any other financing source and capital outlay expenditure in the General fund. At inception, the computer lease was accounted for as any other financing source and capital outlay expenditure in the Permanent Improvement Fund. 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 2013 totaled \$122,175 for the buses and \$30,699 for computer equipment.

	Governmental Activities
Property under Capital Lease	\$594,186
Less Accumulated Depreciation	(189,307)
Total June 30, 2013	\$404,879

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2013.

	Computer Equipment
<u>Fiscal Year Ending June 30, 2014</u>	
Principle Payments	\$113,667
Plus Interest Payments	10,991
Total Minimum Lease Payments	\$124,658

**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 2013, only the unspent portion of certain workers compensation refunds is required to be set-aside at fiscal year end. The balance no longer required by statute for budget stabilization was designated by the District to be used for budget stabilization.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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

	<b>Capital Acquisition</b>	<b>Budget Stabilization</b>
Set-aside Cash Balance as of June 30, 2012		\$51,337
Current Year Set-aside Requirement	\$338,619	
Current Year Qualifying Expenditures	(315,419)	
Current Year Offsets	(78,871)	
Total	(\$55,671)	51,337
Cash Balance Carried Forward to FY 2014		\$51,337

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

**17. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in 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 \$608. 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 \$107,253. 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.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**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 \$50. To obtain financial information write to the Four County Career Center, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**D. Northwestern Ohio Educational Research Council, Inc.**

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. Financial information can be obtained from the Educational Service Center of Lake Erie West, 2275 Collingwood, Toledo, Ohio, 43620.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**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 \$2,180,405 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, OH 45242.

**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 \$2,200 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 \$87,800 for these services to SORSA in fiscal year 2013.

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.

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HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**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.

**20. INTERFUND TRANSACTIONS**

During the year ended June 30, 2013, the following transfers in and out occurred:

Fund	Transfers In	Transfers Out
General Fund	\$2,070	\$220,300
Other Governmental Funds:		
Special Revenue Funds:		
Facilities Maintenance Fund	132,212	
EMIS Fund	35,000	
Debt Service Funds		
Bond Retirement Fund	371,327	
Capital Project Funds:		
Permanent Improvement Fund		132,212
Building Fund	185,300	28,855,436
State and Local Share Building Fund	28,482,039	
Totals	\$29,207,948	\$29,207,948

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, 2013.

**B. Litigation**

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**22. ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2013 included the following individual fund deficits.

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Food Service Fund	\$21,035
Jobs Education Fund	92
Title I Fund	3,458
Title II-A	582

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.

**Change in Accounting Principle**

For 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. These changes were incorporated in the District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**23. 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.

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

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Building Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Nonspendable for:					
Materials and Supplies	\$131,996			\$6,422	\$138,418
Total Nonspendable	131,996			6,422	138,418
Restricted for:					
Regular Instruction				50,400	50,400
Special Instruction				722,991	722,991
Athletics				97,855	97,855
Facilities					
Maintenance				136,858	136,858
Debt Retirement		\$1,551,058			1,551,058
Permanent Improvement				239,270	239,270
Building Construction			\$27,011,632	2,993,481	30,005,113
Total Restricted		1,551,058	27,011,632	4,240,855	32,803,545
Committed for:					
Capital Improvements			2,766,412		2,766,412
Total Committed for:					2,766,412
Assigned for:					
School Supplies	48,160				48,160
Rotary Special Services	5,099				5,099
Rotary	152				152
Public School Support	43,693				43,693
Encumbrances	123,548				123,548
Appropriations	2,225,666				2,225,666
Total Assigned	2,446,318				2,446,318
Unassigned	5,753,820			(31,589)	5,722,231
Total Fund Balance	<u>\$8,332,134</u>	<u>\$1,551,058</u>	<u>\$29,778,044</u>	<u>\$4,215,688</u>	<u>\$43,876,924</u>



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**24. CONTRACTUAL COMMITMENTS**

As of June 30, 2013, the District had the following contractual purchase commitment for the wind turbine construction project:

<b>Company</b>	<b>Amount Remaining</b>
Beilharz Architects	\$2,097,330
Stan and Associates	143,349
Total	\$2,240,679

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NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
School Breakfast Program	10.553	\$ 68,900	\$ 68,900
National School Lunch Program			
Cash assistance	10.555	352,890	352,890
Non-cash Assistance (Food Distribution)	10.555	58,081	59,199
Total National School Lunch Program		<u>410,971</u>	<u>412,089</u>
Total United States Department of Agriculture		<u><b>479,871</b></u>	<u><b>480,989</b></u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	319,958	311,755
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	439,644	439,633
Special Education Pre-School Grant	84.173	28,373	28,373
<b>Total Special Education Cluster</b>		<u>468,017</u>	<u>468,006</u>
Safe and Drug Free Schools and Communities State Grant	84.186		3
Improving Teacher Quality State Grants	84.367	80,189	79,215
Resident Educator Grant	84.395	1,750	1,750
Education Jobs Grant	84.410	25,000	25,701
Total United States Department of Education		<u><b>894,914</b></u>	<u><b>886,430</b></u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<u><b>\$ 1,374,785</b></u>	<u><b>\$ 1,367,419</b></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - SUBRECIPIENTS**

The District passes federal awards received from the Ohio Department of Education for Special Education Cluster amounting to \$468,006 to Northwest Ohio Educational Service Center. As Note A describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.



# 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2014, wherein we noted the District implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*

### ***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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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

February 28, 2014



# 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's, Henry County, Ohio (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 Napoleon Area City School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit 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 the Each Major Federal Program***

In our opinion, Napoleon Area City School District, Henry County, Ohio 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, 2013.

**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

February 28, 2014



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: • Special Education Grants to States - CFDA # 84.027 • Special Education Preschool Grants - CFDA # 84.173  Title 1 Grants to Local Educational Agencies – CFDA #84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2013-001**

**Material Weakness**

**Preparation of Financial Statements**

The District contracted with an Independent Public Accounting firm (IPA) to assist in compiling the District financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The following weaknesses were noted:

- For FY 2013, the initial compilation draft did not implement the following Governmental Accounting Standards Board (GASB) pronouncements:
  1. GASB Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,"* GASB
  2. Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* and GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*.
- Invested in Capital Assets, Net of Related Debt and Net Position Restricted for Capital Outlay was understated by \$ 338,219 and \$ 1,452,963 respectively and Unrestricted Net Position was overstated by \$1,791,182.
- Restricted fund balance of State and Local Share Building Fund was overstated by \$2,766,412 and Committed fund balance of the same fund was understated by \$2,766,412. Gen fund committed fund balance was overstated by \$100,000 and Unassigned Fund Balance of the General Fund was understated by \$100,000.
- Several errors were noted in percentages and numbers reflected in Pension notes for SERS, Postemployment Benefits and SERS system.

We recommend the following to help correct the noted weaknesses for the next GAAP conversion:

- The Treasurer should review all Accounting pronouncements applicable for the required year and include relevant disclosures accordingly.
- Equity classifications should be reviewed to determine correct classification.
- Footnotes should be reviewed utilizing correct pension percentages by the respective retirement systems.

The financial statements were adjusted to address the above issues. Accurate financial reporting is the ultimate responsibility of the Treasurer and School Board and it is essential that School management review the compilation before it is submitted to Auditor's to ensure the information provided to the Auditors is complete, accurate and include all relevant applicable disclosures.

**Officials' Response:**

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

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education

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

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

The Board amended the policy on November 12, 2013. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 28, 2014

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# Dave Yost • Auditor of State

**NAPOLEON AREA CITY SCHOOL DISTRICT**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 20, 2014**