



Dave Yost • Auditor of State



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Napoleon City School District, Henry County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our March 10, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Dave Yost**  
Auditor of State

March 10, 2011

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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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, 2010. 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 2010 are as follows:

The District retired \$400,000 in general obligation bonds from amounts accumulated in the Bond Retirement Fund. The District also paid off its permanent improvement tax anticipation note early during fiscal year 2010.

In total, net assets increased \$948,540.

General revenues accounted for \$20,331,971, or 82 percent of all revenues, and reflect the District's significant dependence on property taxes and unrestricted state entitlements. Program specific revenues in the form of charges for services and sales, and operating grants, and contributions accounted for \$4,506,072 or 18 percent of total revenues of \$24,838,043.

The District's major fund is the General Fund. The General Fund had \$20,196,757 in revenues and other financing sources and \$19,464,801 in expenditures and other financing uses. The General Fund's fund balance increased \$731,956 from the prior fiscal year.

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

Using the Basic Financial Statements

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

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

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

Reporting the District as a Whole

*Statement of Net Assets and Statement of Activities*

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2010. 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.

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited  
(Continued)

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

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

Reporting the District's Most Significant Funds

*Fund Financial Statements*

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

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

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

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2010 compared to fiscal year 2009.

<b>Table 1</b>		
<b>Net Assets</b>		
<b>Governmental Activities</b>		
	<b>2010</b>	<b>2009</b>
<b><u>Assets</u></b>		
Current and Other Assets	\$23,583,345	\$25,474,215
Capital Assets, Net	9,564,760	9,936,028
Total Assets	33,148,105	35,410,243
<b><u>Liabilities</u></b>		
Current and Other Liabilities	12,657,159	14,730,901
Long-Term Liabilities	7,901,753	9,038,857
Total Liabilities	20,558,912	23,769,758



NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited  
(Continued)

**Net Assets**

Invested in Capital Assets, Net of Related Debt	4,799,169	3,605,316
Restricted	688,044	1,037,609
Unrestricted	7,101,980	6,997,560
Total	<u>\$12,589,193</u>	<u>\$11,640,653</u>

Total assets decreased by \$2,262,138 (6 percent). This is mainly due to a decrease in cash, taxes, and payments in lieu of taxes receivable. Total liabilities decreased by \$3,210,678 (13.5 percent). This is due to a decrease in deferred revenue and long-term debt. Total net assets increased by \$948,540 due to the effect of the continuing operating levy passed in 2008 and federal stimulus funds received in fiscal year 2010.

Table 2 reflects the changes in net assets for fiscal year 2010 compared to fiscal year 2009.

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

	2010	2009
<b><u>Revenues</u></b>		
Program Revenues:		
Charges for Services and Sales	\$1,481,469	\$1,522,157
Operating Grants, Contributions and Interest	3,024,603	2,530,065
Total Program Revenues	4,506,072	4,052,222
General Revenues:		
Property Taxes	8,625,317	8,716,035
Grants and Entitlements	11,477,262	11,291,159
Interest	100,443	287,212
Gifts and Donations	70,470	33,275
Miscellaneous	58,479	104,408
Total General Revenues	20,331,971	20,432,089
Total Revenues	<u>24,838,043</u>	<u>24,484,311</u>
<b><u>Program Expenses</u></b>		
Instruction	13,697,485	14,989,335
Support Services:		
Pupils	1,289,480	1,054,983
Instructional Staff	1,041,198	348,848
Board of Education	45,763	40,052
Administration	1,858,647	1,740,369
Fiscal	637,877	652,231
Operation and Maintenance of Plant	1,825,944	2,925,556
Pupil Transportation	1,014,214	609,629
Central	377,147	405,318
Non-Instructional	981,842	891,855
Extracurricular Activities	790,435	780,005
Interest and Fiscal Charges	329,471	340,823
Total Expenses	23,889,503	24,779,004
Change in Net Assets	<u>\$948,540</u>	<u>(\$294,693)</u>

Total revenues increased by \$353,732 (1.4 percent) due to the increase in grants and entitlements.

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited  
(Continued)

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

Total expenditures decreased by \$889,501 (3.6 percent) due largely to the decrease in operation and maintenance of plant. Regular instruction also had a significant decrease from the prior year while instructional staff and pupil transportation had significant increases from the prior year. The net result of these changes had little effect on total expenditures. These changes in the types of expenditures were due largely to the new grants for fiscal year 2010.

The major program expenses for governmental activities are for instruction, which accounts for 57 percent of all governmental expenses. Other programs, which support the instruction process, including pupils, instructional staff and pupil transportation, account for 14 percent of governmental expenses. Therefore, over 71 percent of the District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and grants and entitlements.

*Governmental Activities*

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

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
Instruction	\$13,697,485	\$11,524,028	\$14,989,335	\$12,482,379
Support Services:				
Pupils	1,289,480	1,282,772	1,054,983	819,959
Instructional Staff	1,041,198	505,461	348,848	342,409
Board of Education	45,763	45,763	40,052	40,052
Administration	1,858,647	1,693,612	1,740,369	1,734,499
Fiscal	637,877	637,877	652,231	652,231
Operation and Maintenance of Plant	1,825,944	1,488,952	2,925,556	2,917,716
Pupil Transportation	1,014,214	941,166	609,629	527,328
Central	377,147	365,715	405,318	390,318
Non-Instructional	981,842	42,393	891,855	(8,761)
Extracurricular Activities	790,435	526,221	780,005	487,829
Interest and Fiscal Charges	329,471	329,471	340,823	340,823
<b>Total Expenses</b>	<b>\$23,889,503</b>	<b>\$19,383,431</b>	<b>\$24,779,004</b>	<b>\$20,726,782</b>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 84 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 81 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited  
(Continued)

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The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major government fund is the General Fund. General Fund revenues decreased by 6 percent this was due to a decrease in intergovernmental revenues. General Fund expenditures increased by 6 percent. The General Fund balance increased by \$731,956 in 2010 due primarily to the District's levy and the changing of insurance plans by all employee groups in the District during fiscal year 2010.

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 2010, the District amended its General Fund budget as needed.

General Fund final and original budgeted revenues and other financing sources were \$19,674,327 and \$20,718,000, a decrease of \$1,043,673 (5 percent). This decrease is primarily due to lower than anticipated intergovernmental revenue. Actual revenues and other financing sources were \$19,674,971. This represents an increase of \$644 (less than 1 percent) from the final budget.

General Fund original appropriations (appropriated expenditures plus other financing uses) of \$21,595,211 were increased to \$21,724,405 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$20,278,177, which was \$1,446,228 (6 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 2010, the District had \$9,564,760 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of less than 4 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, 2010, the District's long term obligations, which include general obligation bonds, EPA asbestos settlement obligation, energy conservation, truck loan, capital leases and compensated absences, were \$7,901,753, down 13 percent from the end of fiscal year 2009. This is due in large part to the payoff of the permanent improvement tax anticipation note as well as the scheduled payments on the District's bond and EPA obligations.

At June 30, 2010, the District's overall legal debt margin was \$21,357,592 with an unvoted debt margin of \$271,840.

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

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited  
(Continued)

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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.

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

Contacting the District's Financial Management

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Net Assets  
June 30, 2010**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,292,614
Materials and Supplies Inventory	161,705
Accrued Interest Receivable	905
Accounts Receivable	532
Intergovernmental Receivable	266,021
Taxes Receivable	11,322,431
Revenue in Lieu of Taxes Receivable	399,817
Unamortized Bond Costs	139,320
Non-Depreciable Capital Assets	254,016
Depreciable Capital Assets, net	9,310,744
Total Assets	<u>33,148,105</u>
<b>Liabilities</b>	
Accounts Payable	105,906
Accrued Wages and Benefits	2,078,962
Intergovernmental Payable	448,314
Accrued Interest Payable	22,800
Matured Compensated Absences Payable	62,865
Deferred Revenue	9,938,312
Long-Term Liabilities:	
Due Within One Year	912,451
Due in More Than One Year	6,989,302
Total Liabilities	<u>20,558,912</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	4,799,169
Restricted for Debt Service	370,921
Restricted for Other Purposes	317,123
Unrestricted	7,101,980
Total Net Assets	<u><u>\$12,589,193</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, 2010**

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>
		<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Expenses</b>				
<b>Governmental Activities</b>				
Instruction:				
Regular	\$8,471,080	\$720,169	\$153,366	(\$7,597,545)
Special	3,667,944		1,203,907	(2,464,037)
Vocational	240,010		87,202	(152,808)
Other	1,318,451		8,813	(1,309,638)
Support Services:				
Pupils	1,289,480		6,708	(1,282,772)
Instructional Staff	1,041,198		535,737	(505,461)
Board of Education	45,763			(45,763)
Administration	1,858,647		165,035	(1,693,612)
Fiscal	637,877			(637,877)
Operation and Maintenance of Plant	1,825,944	9,175	327,817	(1,488,952)
Pupil Transportation	1,014,214		73,048	(941,166)
Central	377,147		11,432	(365,715)
Operation of Non-Instructional Services	981,842	487,911	451,538	(42,393)
Extracurricular Activities	790,435	264,214		(526,221)
Interest and Fiscal Charges	329,471			(329,471)
<b>Totals</b>	<b>\$23,889,503</b>	<b>\$1,481,469</b>	<b>\$3,024,603</b>	<b>(19,383,431)</b>
 General Revenues:				
Taxes:				
				7,774,053
Property Taxes, Levied for General Purposes				377,843
Property Taxes, Levied for Capital Outlay				473,421
Property Taxes, Levied for Debt Service				11,477,262
Grants and Entitlements not Restricted to Specific Programs				70,470
Gifts and Donations				100,443
Investment Earnings				58,479
Miscellaneous				20,331,971
Total General Revenues				948,540
Change in Net Assets				11,640,653
Net Assets Beginning of Year - Restated				\$12,589,193
Net Assets End of Year				

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2010**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$8,691,593	\$2,549,684	\$11,241,277
Materials and Supplies Inventory	126,923	34,782	161,705
Accrued Interest Receivable	905		905
Accounts Receivable	263	269	532
Interfund Receivable	387,000		387,000
Intergovernmental Receivable		266,021	266,021
Taxes Receivable	10,302,394	1,020,037	11,322,431
Revenue in Lieu of Taxes Receivable	379,826	19,991	399,817
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	51,337		51,337
<b>Total Assets</b>	<u><u>19,940,241</u></u>	<u><u>3,890,784</u></u>	<u><u>23,831,025</u></u>
<b>Liabilities</b>			
Accounts Payable	98,581	7,325	105,906
Accrued Wages and Benefits	1,853,647	225,315	2,078,962
Interfund Payable		387,000	387,000
Intergovernmental Payable	403,768	44,546	448,314
Matured Compensated Absences Payable	62,865		62,865
Deferred Revenue	9,695,134	1,049,134	10,744,268
<b>Total Liabilities</b>	<u><u>12,113,995</u></u>	<u><u>1,713,320</u></u>	<u><u>13,827,315</u></u>
<b>Fund Balances</b>			
Reserved for Encumbrances	385,932	24,708	410,640
Reserved for Inventory	126,923	34,782	161,705
Reserved for Advances	387,000		387,000
Reserved for Property Taxes	987,086	57,420	1,044,506
Reserved for Budget Stabilization	51,337		51,337
Unreserved, Designated:			
Designated for Budget Stabilization	200,815		200,815
Unreserved, Undesignated, Reported in:			
General Fund	5,687,153		5,687,153
Special Revenue Funds		872,864	872,864
Debt Service Funds		912,164	912,164
Capital Projects Funds		275,526	275,526
<b>Total Fund Balances</b>	<u><u>7,826,246</u></u>	<u><u>2,177,464</u></u>	<u><u>10,003,710</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$19,940,241</u></u>	<u><u>\$3,890,784</u></u>	<u><u>\$23,831,025</u></u>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2010**

Total Governmental Fund Balances		\$10,003,710
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.</p>		
		9,564,760
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Revenue in Lieu of Taxes Receivable	399,817	
Intergovernmental Receivable	66,526	
Taxes Receivable	<u>339,613</u>	
		805,956
Unamortized Bond Costs		139,320
<p>Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:</p>		
Accrued Interest Payable	(22,800)	
Capital Leases Payable	(366,521)	
General Obligation Bonds Payable	(6,210,749)	
Compensated Absences Payable	<u>(1,324,483)</u>	
		<u>(7,924,553)</u>
Net Assets of Governmental Activities		<u><u>\$12,589,193</u></u>

See Accompanying Notes to the Basic Financial Statements



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2010**

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property and Other Local Taxes	\$7,626,281	\$841,724	\$8,468,005
Intergovernmental	11,369,549	3,116,054	14,485,603
Interest	93,635	6,808	100,443
Tuition and Fees	657,563	62,606	720,169
Rent	2,875	6,300	9,175
Extracurricular Activities		260,890	260,890
Gifts and Donations	8,579	61,891	70,470
Customer Sales and Services	56,308	434,927	491,235
Payments in Lieu of Taxes	354,900	18,679	373,579
Miscellaneous	25,817	31,412	57,229
Total Revenues	<u>20,195,507</u>	<u>4,841,291</u>	<u>25,036,798</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	8,015,009	315,520	8,330,529
Special	2,625,339	1,058,256	3,683,595
Vocational	239,492		239,492
Other	1,309,638	8,813	1,318,451
Support Services:			
Pupils	1,226,215	57,555	1,283,770
Instructional Staff	554,007	486,178	1,040,185
Board of Education	45,763		45,763
Administration	1,648,168	189,308	1,837,476
Fiscal	596,272	36,913	633,185
Operation and Maintenance of Plant	1,256,538	428,604	1,685,142
Pupil Transportation	929,478		929,478
Central	344,520	66,226	410,746
Operation of Non-Instructional Services		979,494	979,494
Extracurricular Activities	405,736	339,775	745,511
Capital Outlay	11,038		11,038
Debt Service:			
Principal	6,250	1,242,547	1,248,797
Interest		209,351	209,351
Total Expenditures	<u>19,213,463</u>	<u>5,418,540</u>	<u>24,632,003</u>
Excess of Revenues Over (Under) Expenditures	<u>982,044</u>	<u>(577,249)</u>	<u>404,795</u>
<b>Other Financing Sources and (Uses)</b>			
Transfers In		251,338	251,338
Proceeds from Sale of Fixed Assets	1,250		1,250
Transfers Out	(251,338)		(251,338)
Total Other Financing Sources and Uses	<u>(250,088)</u>	<u>251,338</u>	<u>1,250</u>
Net Change in Fund Balances	731,956	(325,911)	406,045
Fund Balance at Beginning of - Restated	<u>7,094,290</u>	<u>2,503,375</u>	<u>9,597,665</u>
Fund Balance at End of Year	<u>\$7,826,246</u>	<u>\$2,177,464</u>	<u>\$10,003,710</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, 2010**

Net Change in Fund Balances - Total Governmental Funds \$406,045

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	287,081	
Depreciation	<u>(649,546)</u>	(362,465)

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

Loss on Disposal of Capital Assets		(8,803)
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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	157,310	
Intergovernmental	16,262	
Payment in Lieu of Taxes	<u>(373,579)</u>	(200,007)

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

1,126,624

Payments on Capital Lease

122,173

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

Accrued Interest Payable	(2,630)	
Annual Accretion on Capital Appreciation Bonds	<u>(117,490)</u>	(120,120)

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

(14,907)

Change in Net Assets of Governmental Activities

\$948,540

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2010**

	<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	\$7,170,000	\$7,091,126	\$7,091,126	
Intergovernmental	12,422,000	11,369,549	11,369,549	
Interest	200,000	102,350	102,989	\$639
Tuition and Fees	613,000	657,563	657,563	
Rent	4,000	2,875	2,875	
Gifts and Donations		8,579	8,579	
Customer Sales and Services	57,000	56,308	56,308	
Payments in Lieu of Taxes	225,000	354,900	354,900	
Miscellaneous	19,000	25,549	25,554	5
<b>Total Revenues</b>	<u>20,710,000</u>	<u>19,668,799</u>	<u>19,669,443</u>	<u>644</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,118,050	8,031,020	8,005,295	25,725
Special	3,870,022	2,922,555	2,853,032	69,523
Vocational	256,751	262,387	243,445	18,942
Other	1,745,000	1,494,071	1,309,638	184,433
Support Services:				
Pupils	811,587	1,321,190	1,219,982	101,208
Instructional Staff	351,966	792,748	533,339	259,409
Board of Education	46,200	46,400	45,625	775
Administration	1,809,601	1,888,136	1,657,968	230,168
Fiscal	658,587	667,226	603,028	64,198
Operation and Maintenance of Plant	1,738,118	1,705,450	1,335,657	369,793
Pupil Transportation	1,092,576	1,019,077	947,709	71,368
Central	369,018	388,801	361,523	27,278
Extracurricular Activities	444,235	421,535	402,817	18,718
Capital Outlay	19,000	109,233	109,205	28
Debt Service - Principal		6,250	6,250	
<b>Total Expenditures</b>	<u>21,330,711</u>	<u>21,076,079</u>	<u>19,634,513</u>	<u>1,441,566</u>
Excess of Revenues Over (Under) Expenditures	<u>(620,711)</u>	<u>(1,407,280)</u>	<u>34,930</u>	<u>1,442,210</u>
<b>Other Financing Sources and (Uses)</b>				
Proceeds from Sale of Fixed Assets	4,000	1,250	1,250	
Refund of Prior Year Expenditures	4,000	4,278	4,278	
Transfers Out	(260,000)	(256,000)	(251,338)	4,662
Advances Out	(4,000)	(387,000)	(387,000)	
Refund of Prior Year Receipts	(500)	(5,326)	(5,326)	
<b>Total Other Financing Sources and Uses</b>	<u>(256,500)</u>	<u>(642,798)</u>	<u>(638,136)</u>	<u>4,662</u>
<b>Net Change in Fund Balances</b>	<u>(877,211)</u>	<u>(2,050,078)</u>	<u>(603,206)</u>	<u>1,446,872</u>
Fund Balance at Beginning of Year	8,461,268	8,461,268	8,461,268	
Prior Year Encumbrances Appropriated	427,140	427,140	427,140	
<b>Fund Balance at End of Year</b>	<u><u>\$8,011,197</u></u>	<u><u>\$6,838,330</u></u>	<u><u>\$8,285,202</u></u>	<u><u>\$1,446,872</u></u>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2010**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$22,687</u>	<u>\$98,846</u>
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies	<u>                    </u>	<u>\$98,846</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u><u>\$22,687</u></u>	<u><u>                    </u></u>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2010**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Gifts and Contributions	\$15,070
Interest	<u>12</u>
Total Additions	<u>15,082</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>14,000</u>
Change in Net Assets	1,082
Net Assets Beginning of Year	<u>21,605</u>
Net Assets End of Year	<u><u>\$22,687</u></u>

See Accompanying Notes to the Basic Financial Statements

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**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 230<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 100 classified employees and 160 certified teaching personnel, who provide services to 2,071 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., Educational Regional Service System, NBEC Employee Insurance Benefits Program, the NBEC 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 18, 19, and 20 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. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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

November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

**A. Basis of Presentation**

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**B. Fund Accounting**

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

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

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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

fund assets and liabilities is reported as fund balance. The General Fund is the District's only major governmental fund:

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

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

Fiduciary Funds

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

**C. Measurement Focus**

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

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

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

**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



NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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

recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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

**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 2010, 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, 2010.

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 2010 amounted to \$93,635, which includes \$22,360 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, 2010  
(Continued)

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**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 assets but are not reported on the fund financial statements.

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

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

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

**J. Interfund Balances**

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

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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

**K. Compensated Absences**

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences." In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 2010.

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

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

**L. Accrued Liabilities and Long-Term Obligations**

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

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

**M. Unamortized Issuance Costs and Premiums**

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

**N. Net Assets**

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

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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

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

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

**O. Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for inventory, long-term interfund advances, property taxes, budget stabilization, and encumbrances.

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

**P. Interfund Transactions**

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

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

**Q. Estimates**

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

**R. Pass-Through Grants**

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

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

**3. Change in Accounting Principles and Restatement of Net Assets**

**A. Change in Accounting Principles**

For fiscal year 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

**B. Restatement of Net Assets**

In December 2009, the Board of Napoleon Area City School District approved reclassification of a prior year advance of \$674,139 from the General Fund to the Miscellaneous Federal Fund as a transfer.

NAPOLEON AREA CITY SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**3. Change in Accounting Principles and Restatement of Net Assets (Continued)**

The restatement had the following effect on net assets as previously reported.

	<b>General Fund</b>	<b>All Other Governmental Funds</b>
Net Assets at June 30, 2009	\$7,768,429	\$1,829,236
Prior year advance not intended to be returned	(674,139)	674,139
Restated Net Assets at July 1, 2009	\$7,094,290	\$2,503,375

**4. 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	\$731,956
Net Adjustment for Revenue Accruals	(526,064)
Net Adjustment for Expenditure Accruals	35,867
Net Adjustment for Other Sources/Uses	(388,048)
Encumbrances Outstanding at Year End (Budget Basis)	(456,917)
Budget Basis	(\$603,206)

NAPOLEON AREA CITY SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
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**5. EQUITY IN POOLED CASH AND EQUIVALENTS**

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

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

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

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

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

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



NAPOLEON AREA CITY SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
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**5. EQUITY IN POOLED CASH AND EQUIVALENTS (Continued)**

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

At year end, the District had \$300 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$11,209,200 of the District's bank balance of \$11,473,708 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, 2010, the District had \$37,952 invested in STAR Ohio.

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

**6. 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 2010 represent the collection of calendar year 2009 taxes. Real property taxes for 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by state statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

NAPOLEON AREA CITY SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**6. PROPERTY TAXES (Continued)**

Public utility real and tangible personal property taxes for 2010 were levied after April 1, 2009, on the assessed values as of December 31, 2008, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Henry County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 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, 2010 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 2010 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2010, was \$987,086 in the General Fund, \$8,721 in the Debt Service Fund, and \$48,699 in the Capital Projects Fund. The amount available as an advance at June 30, 2009, was \$451,931 in the General Fund, \$32,195 in the Debt Service Fund, and \$22,043 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	<b>2009 Second- Half Collections</b>		<b>2010 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$222,447,230	82%	\$224,141,160	83%
Industrial/Commercial	45,413,870	17%	43,505,790	16%
Public Utility	3,663,260	1%	3,782,800	1%
Tangible Personal	800,760	0%	410,550	0%
Total Assessed Value	<u>\$272,325,120</u>	<u>100%</u>	<u>\$271,840,300</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$56.70		\$52.70	

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
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**7. RECEIVABLES**

Receivables at June 30, 2010, 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:	
General Fund	\$263
All Other Governmental Funds	
Tuition and Fees	237
Extracurricular	32
Total All Other Governmental Funds	<u>269</u>
Total All Accounts Receivable	<u>\$532</u>
Revenue in Lieu of Taxes	
Receivables:	
General Fund	\$379,826
Capital Projects Fund	19,991
Total Payments in Lieu of Taxes Receivable	<u>\$399,817</u>
Intergovernmental Receivable:	
Idea-B	\$106,762
Title I Fund	142,420
Drug Free Schools Fund	4,726
Title II-A	9,597
Miscellaneous	2,516
Total Intergovernmental Receivable	<u>\$266,021</u>

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$254,016			\$254,016
Total Nondepreciable Capital Assets	<u>254,016</u>			<u>254,016</u>
Depreciable Capital Assets				
Land Improvements	2,048,342			2,048,342
Buildings and Building Improvements	14,742,177	\$33,077		14,775,254
Furniture, Fixtures, and Equipment	1,879,005	233,277	(\$34,856)	2,077,426
Vehicles	2,117,838	20,727	(34,743)	2,103,822
Totals	<u>20,787,362</u>	<u>287,081</u>	<u>(69,599)</u>	<u>21,004,844</u>
Less Accumulated Depreciation				
Land Improvements	(1,318,412)	(67,156)		(1,385,568)
Buildings and Building Improvements	(7,637,321)	(384,844)		(8,022,165)
Furniture, Fixtures, and Equipment	(1,405,594)	(111,757)	31,035	(1,486,316)
Vehicles	(744,023)	(85,789)	29,761	(800,051)
Total Accumulated Depreciation	<u>(11,105,350)</u>	<u>(649,546)</u>	<u>60,796</u>	<u>(11,694,100)</u>
Depreciable Capital Assets, Net	<u>9,682,012</u>	<u>(362,465)</u>	<u>(8,803)</u>	<u>9,310,744</u>
Governmental Activities Capital Assets, Net	<u>\$9,936,028</u>	<u>(\$362,465)</u>	<u>(\$8,803)</u>	<u>\$9,564,760</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$329,720
Special	1,749
Support Services:	
Pupils	1,216
Instructional Staff	422
Administration	4,189
Operation and Maintenance of Plant	138,123
Pupil Transportation	101,347
Central	6,506
Operation of Non-Instructional Services	4,645
Extracurricular	61,629
Total Depreciation Expense	<u>\$649,546</u>

**9. INTERFUND ASSETS/LIABILITIES**

As of June 30, 2010, on the fund financial statements, Special Revenue Funds owed the General Fund \$387,000. These amounts are represented as "Interfund Receivable/Payable" on the balance sheet.

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
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**10. 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.

**11. RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District participates in the Schools of Ohio Risk Sharing Authority, Inc., an insurance purchasing pool, (Note 19) for insurance coverage. Coverages provided are as follows:

Property (building & contents)	\$49,403,781
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.

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities (Note 19). The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 19). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
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**11. RISK MANAGEMENT (Continued)**

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.

**12. PENSION AND RETIREMENT PLANS**

**A. School Employee Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$278,274, \$226,156 and \$231,501, respectively; 38 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. The unpaid contribution for fiscal year 2010 is \$189,228.

**B. 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 (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times 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 DC Plan allows members to place all their member contributions and

NAPOLEON AREA CITY SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
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**12. PENSION AND RETIREMENT PLANS (Continued)**

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 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, 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 DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan 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 DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,163,005, \$1,249,890, and \$1,304,063, respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. The unpaid contribution for fiscal year 2010 is \$194,748.

**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, 2010, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**13. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated 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, Medicare

NAPOLEON AREA CITY SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
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**13. POSTEMPLOYMENT BENEFITS (Continued)**

Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [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 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$22,952.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$46,922, \$103,202, and \$105,641 respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$16,548, \$16,295, and \$16,680, respectively; 38 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.



NAPOLEON AREA CITY SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
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**13. POSTEMPLOYMENT BENEFITS (Continued)**

**B. 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.

Funding Policy – Ohio law 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 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$89,462, \$96,145, and \$100,313, respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**14. COMPENSATED ABSENCES**

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

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to a teacher upon retirement is limited to 25% of the accumulated sick leave to a maximum of 50 days. The amount paid to an administrator upon retirement is limited to 25% of the accumulated sick leave to a maximum of 51.25 days. The amount paid to the superintendent or Treasurer upon retirement is limited to 30% of the accumulated sick leave. The amount paid to a classified employee upon retirement is limited to 25% of the accumulated sick leave to a maximum of 55 days. The amount paid to a supervisor upon retirement is limited to 25% of the accumulated sick leave to a maximum of 51.25 days. The amount paid to a confidential employee with a minimum of 5 years of service upon retirement is limited to 25% of the accumulated sick leave to a maximum of 51.25 days.

At June 30, 2010 the current amount of matured compensated absences in all funds was \$62,865. The amount of long-term compensated absences in all funds was \$1,324,483.

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**15. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2010, the following changes occurred in obligations reported in the Government-Wide financial statements:

	<b>Balance at 6/30/09</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at 6/30/10</b>	<b>Due Within One Year</b>
1996 General Obligation Bonds	\$846,225	\$117,490	\$350,000	\$613,715	\$279,301
2005 Advance Refunding General Obligation Bonds	2,405,000		50,000	2,355,000	50,000
Unamortized Bond Premium	160,024		20,704	139,320	20,704
Tax Anticipation Note	396,787		396,787		
Energy Conservation Loan 2006	1,744,646		114,246	1,630,400	109,018
EPA Settlement Obligation	1,203,545		77,500	1,126,045	92,500
2009 Dodge Ram Truck	22,916		6,250	16,666	6,249
EPA Asbestos Loan	461,444		131,841	329,603	131,841
Total Long-Term Debt	<u>7,240,587</u>	<u>117,490</u>	<u>1,147,328</u>	<u>6,210,749</u>	<u>689,613</u>
Capital Leases	488,694		122,173	366,521	122,173
Compensated Absences	1,309,576	14,907		1,324,483	100,665
Total Long-Term Obligations	<u>\$9,038,857</u>	<u>\$132,397</u>	<u>\$1,269,501</u>	<u>\$7,901,753</u>	<u>\$912,451</u>

The scheduled payments of principal and interest on debt outstanding at June 30, 2010, are as follows:

<b>Fiscal year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$689,613	\$251,732	\$941,345
2012	774,515	200,681	975,196
2013	769,776	158,482	928,258
2014	750,096	131,304	881,400
2015	785,861	102,189	888,050
2016-2020	2,244,939	171,579	2,416,518
2021-2023	195,949	4,834	200,783
Total	<u>\$6,210,749</u>	<u>\$1,020,801</u>	<u>\$7,231,550</u>

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

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

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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

<b>Maturity Date</b>	<b>Original Principal Amount</b>	<b>Accreted Value at Maturity</b>
2010	\$36,217	\$355,000
2011	31,183	360,000

The value of the capital appreciation bonds reported in the Government Entity Wide Statement of Net Assets at June 30, 2010 was \$613,714. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$546,314 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

**Advance Refunding Bonds – 2005**

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

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

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

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

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
2010	\$50,000	3.125%
2011	50,000	3.250%
2012	420,000	5.000%
2013	450,000	5.000%
2014	480,000	5.000%
2015	510,000	5.000%
2016	395,000	5.000%

These bonds are not subject to redemption prior to maturity.

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

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

The Permanent Improvement Tax Anticipation note was issued in 2006 for \$500,000. The interest rate on the note is 4.51 percent. The final maturity of this issuance was July 16, 2016, however, the District paid off the entire outstanding balance in April 2010.

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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

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

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

**16. CAPITAL LEASES – LESSEE DISCLOSURE**

In fiscal year 2009, the District entered into a capital lease for the acquisition of buses. The lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, both leases were accounted for as an other financing source and a capital outlay expenditure in the General fund. Capital lease payments have been reclassified and shown as debt service expenditures in the General fund. Principal payments made during fiscal year 2010 totaled \$122,173 for the buses.

	Governmental Activities
Property under Capital Lease	\$449,820
Less Accumulated Depreciation	(56,228)
Total June 30, 2010	\$393,593

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, 2010.

<u>Fiscal year ending June 30,</u>	<u>Buses</u>
2011	\$122,173
2012	122,174
2013	122,174
Principle payments	366,521
Plus Interest payments	38,874
Total minimum lease payment	\$405,395

**17. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. For fiscal year 2010, only the unspent portion of certain workers compensation refunds is required to be set-aside at fiscal year end. The balance no longer required by statute for budget stabilization was designated by the District to be used for budget stabilization.

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

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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

	Instructional Materials	Capital Maintenance	Budget Stabilization
Set-aside cash balance as of June 30, 2009			\$51,337
Current year set-aside requirement	\$327,510	\$327,510	
Current Year Qualifying Expenditures	(209,885)	(140,140)	
Excess Qualified Expenditures from Prior Years	(1,031,657)		
Current Year Offsets	(59,338)	(287,475)	
Total	(\$973,370)	(\$100,105)	\$51,337
Balance carried forward to FY 2011	(\$973,370)		\$51,337

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

**18. 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 \$26,402. 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 \$98,551. 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  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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**18. 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. There were no disbursements made by the District to Four County Career Center during this fiscal year. 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 Lucas County Educational Service Center, 2275 Collingwood, Toledo, Ohio, 43620.

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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**19. GROUP PURCHASING POOLS**

**A. NBEC Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$2,108,887. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. NBEC Workers' Compensation Group Rating Plan**

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$2,303 to the 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 \$71,137 for these services to SORSA in fiscal year 2010.

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.

**20. RELATED ORGANIZATION**

**Napoleon Public Library**

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

NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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**21. INTERFUND TRANSACTIONS**

During the year ended June 30, 2010, the following transfers in and out occurred:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$251,338
Other Governmental Funds:		
Special Revenue Funds:		
Lunchroom Fund	\$50,000	
EMIS Fund	16,000	
Capital Project Funds:		
Building Fund	185,338	
Totals	<u>\$251,338</u>	<u>\$251,338</u>

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

**22. CONTINGENT LIABILITIES**

**Grants**

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2010.

**23. LITIGATION**

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



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<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	\$53,105	\$53,105
National School Lunch Program			
Cash assistance	10.555	311,194	311,194
Non-cash Assistance (Food Distribution)		71,338	78,950
Total - National School Lunch Program		<u>382,532</u>	<u>390,144</u>
Total United States Department of Agriculture		<u><b>435,637</b></u>	<u><b>443,249</b></u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	354,400	355,604
ARRA - Title I Grants to Local Education Agencies	84.389	146,088	143,102
Total Title I, Part A Cluster		<u>500,488</u>	<u>498,706</u>
Special Education Cluster:			
Education Grants to States	84.027	468,076	467,473
ARRA - Special Education Grants to States	84.391	392,084	438,870
Total Special Education Cluster		<u>860,160</u>	<u>906,343</u>
Safe and Drug Free Schools and Communities State Grant	84.186	6,560	6,282
State Grants for Innovative Programs	84.298		253
Education Technology State Grants	84.318	452	956
Improving Teacher Quality State Grants	84.367	105,008	106,001
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	496,665	496,665
Total United States Department of Education		<u><b>1,969,333</b></u>	<u><b>2,015,206</b></u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<u><b>\$2,404,970</b></u>	<u><b>\$2,458,455</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, 2010**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 10, 2011.

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



**Dave Yost**  
Auditor of State

March 10, 2011



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Napoleon Area City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Napoleon Area City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

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### Internal Control Over Compliance

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

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 10, 2011.

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



**Dave Yost**  
Auditor of State

March 10, 2011

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<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>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Program:</b>	Title I Cluster: Title I Grants to Local Educational Agencies CFDA #84.010 ARRA – Title I Grants to Local Educational Agencies CFDA #84.389  ARRA State State Fiscal Stabilization Fund – Education State Grants CFDA # 84.394  Special Education Cluster: Special Education – Grants to States CFDA #84.027 ARRA - Special Education – Grants to States CFDA #84.391
<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>	No

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<i>Finding Number</i>	2010-001
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**Financial Reporting – Material Weakness**

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

The 2010 financial statements contained material errors, such as the following:

- Interfund Receivables and Payables were overstated by \$674,139
- Invested in Capital Assets, Net of Related Debt was understated by \$782,008
- Restricted for Debt Service had a negative balance and was understated by \$692,231
- Restricted for Capital Outlay was overstated by \$1,126,045
- Debt principal payments in total of \$390,324 were incorrectly posted to other expenditure line items
- Outstanding debt was overstated by \$348,194

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

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

**Officials’ Response:**

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

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None



NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Monitoring Financial Statements	No	Repeated as Finding 2010-001 in this report.

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# Dave Yost • Auditor of State

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

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on April 27, 2007.
2. We read the policy it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Revised Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;

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- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report.
- (6) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

However, the policy did not include the following requirements from Ohio Revised Code Section 3313.666(B):

- (1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (2) A procedure for documenting any prohibited incident that is reported.
- (3) A procedure for responding to and investigating any reported incident;
- (4) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

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 and is not intended to be and should not be used by anyone other than these specified parties.



**Dave Yost**  
Auditor of State

March 10, 2011



# Dave Yost • Auditor of State

NAPOLEON AREA CITY SCHOOL DISTRICT

HENRY COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 29, 2011