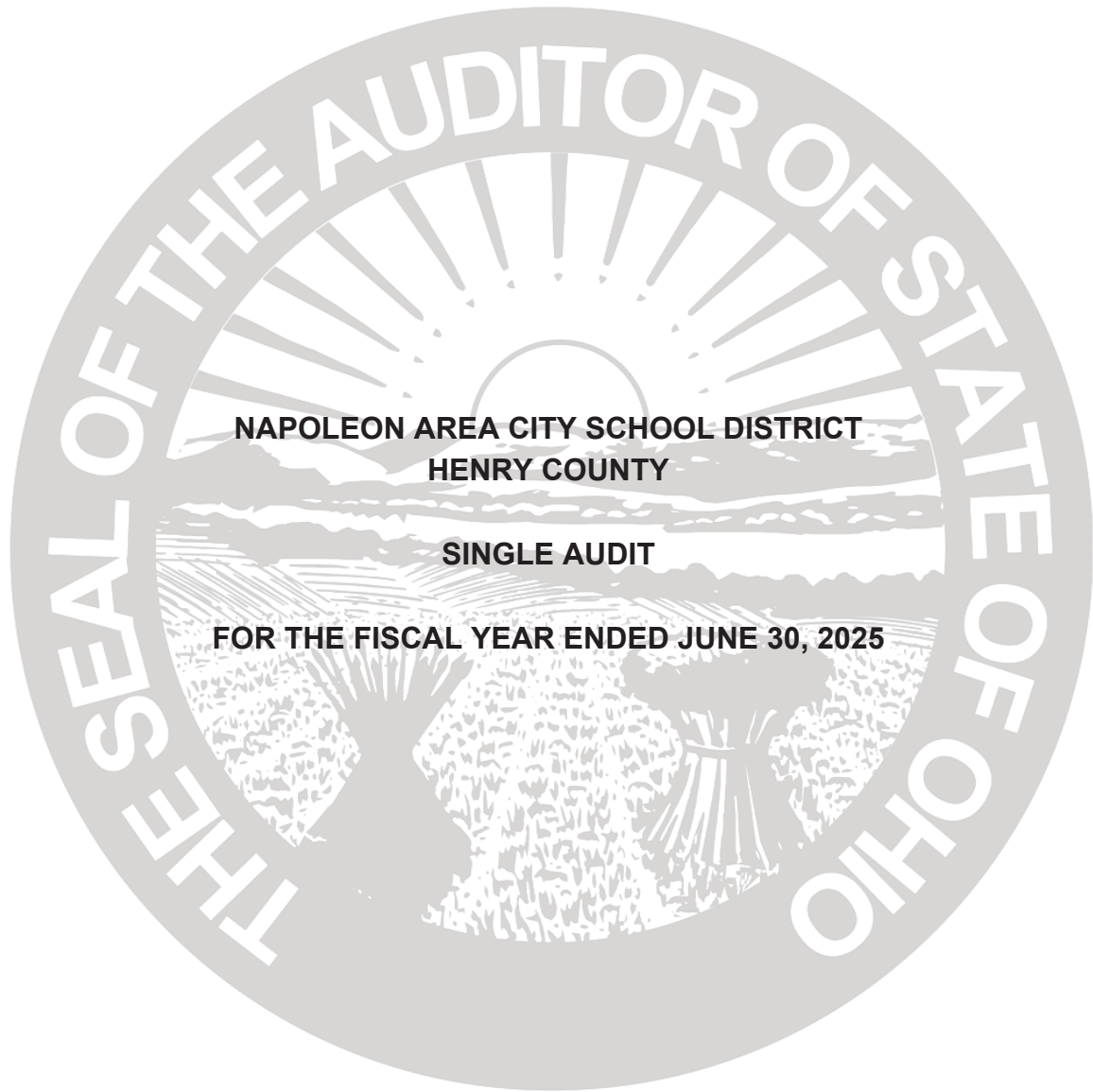






**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY  
JUNE 30, 2025**

**TABLE OF CONTENTS**

| <b>TITLE</b>                                                                                                                                                                               | <b>PAGE</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Independent Auditor's Report .....                                                                                                                                                         | 1           |
| Prepared by Management:                                                                                                                                                                    |             |
| Basic Financial Statements:                                                                                                                                                                |             |
| Government-Wide Financial Statements:                                                                                                                                                      |             |
| Statement of Net Position – Cash Basis .....                                                                                                                                               | 5           |
| Statement of Activities – Cash Basis .....                                                                                                                                                 | 6           |
| Fund Financial Statements:                                                                                                                                                                 |             |
| Statement of Assets and Fund Balances – Cash Basis<br>Governmental Funds.....                                                                                                              | 7           |
| Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis<br>Governmental Funds.....                                                                                  | 8           |
| Notes to the Basic Financial Statements .....                                                                                                                                              | 9           |
| Supplementary Information:                                                                                                                                                                 |             |
| Schedule of Receipts, Disbursements and Changes in<br>Fund Balance – Budget and Actual – Budget Basis<br>General Fund.....                                                                 | 42          |
| Notes to Supplementary Information.....                                                                                                                                                    | 43          |
| Schedule of Expenditures of Federal Awards .....                                                                                                                                           | 44          |
| Notes to the Schedule of Expenditures of Federal Awards.....                                                                                                                               | 45          |
| Independent Auditor's Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> .....                 | 47          |
| Independent Auditor's Report on Compliance with Requirements<br>Applicable to Each Major Federal Program and on Internal Control Over<br>Compliance Required by the Uniform Guidance ..... | 49          |
| Schedule of Findings.....                                                                                                                                                                  | 53          |
| Prepared by Management:                                                                                                                                                                    |             |
| Summary Schedule of Prior Audit Findings.....                                                                                                                                              | 55          |
| Corrective Action Plan.....                                                                                                                                                                | 56          |

**This page intentionally left blank.**



65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in cash-basis financial position thereof in accordance with the cash-basis of accounting described in Note 2.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter – Accounting Basis*

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash-basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash-basis of accounting described in Note 2, and for determining that the cash-basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

The Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2026, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KEITH FABER  
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM  
Chief Deputy Auditor

February 18, 2026

**This page intentionally left blank.**

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2025**

|                                            | <b>Governmental<br/>Activities</b> |
|--------------------------------------------|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in pooled cash and cash equivalents | \$ 20,851,348                      |
| <b>Net position</b>                        |                                    |
| Restricted for:                            |                                    |
| Debt service                               | 987,841                            |
| Capital projects                           | 4,387,907                          |
| Classroom facilities maintenance           | 996,565                            |
| Food service operations                    | 804,917                            |
| Extracurricular                            | 500,205                            |
| State funded programs                      | 75,601                             |
| Other purposes                             | 81,191                             |
| Unrestricted                               | 13,017,121                         |
| Total net position                         | \$ 20,851,348                      |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

|                                          |                      |                           | <b>Program Cash Receipts</b> |                          | <b>Net (Disbursements)<br/>Receipts and Changes<br/>in Net Position</b> |
|------------------------------------------|----------------------|---------------------------|------------------------------|--------------------------|-------------------------------------------------------------------------|
|                                          | <b>Cash</b>          | <b>Charges for</b>        | <b>Operating Grants</b>      | <b>Capital Grants</b>    | <b>Governmental</b>                                                     |
|                                          | <b>Disbursements</b> | <b>Services and Sales</b> | <b>and Contributions</b>     | <b>and Contributions</b> | <b>Activities</b>                                                       |
| <b>Governmental activities</b>           |                      |                           |                              |                          |                                                                         |
| Instruction:                             |                      |                           |                              |                          |                                                                         |
| Regular                                  | \$ 11,076,758        | \$ 175,112                | \$ 621,776                   | \$ 46,524                | \$ (10,233,346)                                                         |
| Special                                  | 4,301,000            | 212,639                   | 1,666,057                    |                          | (2,422,304)                                                             |
| Vocational                               | 140,662              |                           | 42,628                       |                          | (98,034)                                                                |
| Other                                    | 253,283              |                           |                              |                          | (253,283)                                                               |
| Support services:                        |                      |                           |                              |                          |                                                                         |
| Pupil                                    | 1,809,145            |                           | 246,844                      |                          | (1,562,301)                                                             |
| Instructional staff                      | 1,322,489            |                           | 55,689                       |                          | (1,266,800)                                                             |
| Board of education                       | 61,242               |                           |                              |                          | (61,242)                                                                |
| Administration                           | 1,610,072            |                           | 4,526                        |                          | (1,605,546)                                                             |
| Fiscal                                   | 791,831              |                           | 9,229                        |                          | (782,602)                                                               |
| Operations and maintenance               | 2,019,609            | 3,100                     | 36,217                       |                          | (1,980,292)                                                             |
| Pupil transportation                     | 1,318,008            |                           | 448,548                      |                          | (869,460)                                                               |
| Central                                  | 219,490              |                           |                              |                          | (219,490)                                                               |
| Operation of non-instructional services: |                      |                           |                              |                          |                                                                         |
| Food service operations                  | 1,074,617            | 427,169                   | 657,622                      |                          | 10,174                                                                  |
| Other non-instructional services         | 90,569               |                           | 100,528                      |                          | 9,959                                                                   |
| Extracurricular activities               | 1,235,453            | 449,108                   | 72,866                       |                          | (713,479)                                                               |
| Facilities acquisition and construction  | 499,914              |                           |                              |                          | (499,914)                                                               |
| Debt service:                            |                      |                           |                              |                          |                                                                         |
| Principal retirement                     | 841,694              |                           |                              |                          | (841,694)                                                               |
| Interest and fiscal charges              | 861,315              |                           |                              |                          | (861,315)                                                               |
| <b>Total governmental activities</b>     | <b>\$ 29,527,151</b> | <b>\$ 1,267,128</b>       | <b>\$ 3,962,530</b>          | <b>\$ 46,524</b>         | <b>(24,250,969)</b>                                                     |

**General receipts**

|                                                                |                      |
|----------------------------------------------------------------|----------------------|
| Property taxes levied for:                                     |                      |
| General purposes                                               | 11,688,621           |
| Debt service                                                   | 1,456,888            |
| Classroom facilities maintenance                               | 132,212              |
| Permanent improvements                                         | 294,548              |
| Payment in lieu of taxes                                       | 64,595               |
| Grants and entitlements not restricted<br>to specific programs | 9,069,177            |
| Investment earnings                                            | 838,742              |
| Miscellaneous                                                  | 328,491              |
| <b>Total general receipts</b>                                  | <b>23,873,274</b>    |
| <b>Change in net position</b>                                  | <b>(377,695)</b>     |
| <b>Net position at beginning of year</b>                       | <b>21,229,043</b>    |
| <b>Net position at end of year</b>                             | <b>\$ 20,851,348</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2025

|                                            | <b>General<br/>Fund</b> | <b>Permanent<br/>Improvement<br/>Fund</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--------------------------------------------|-------------------------|-------------------------------------------|--------------------------------------------|-----------------------------------------|
| <b>Assets</b>                              |                         |                                           |                                            |                                         |
| Equity in pooled cash and cash equivalents | \$ 12,409,342           | \$ 3,491,472                              | \$ 4,950,534                               | \$ 20,851,348                           |
| <b>Fund balances</b>                       |                         |                                           |                                            |                                         |
| Restricted:                                |                         |                                           |                                            |                                         |
| Debt service                               |                         |                                           | \$ 987,841                                 | \$ 987,841                              |
| Capital improvements                       |                         | \$ 3,491,472                              | 896,435                                    | 4,387,907                               |
| Classroom facilities maintenance           |                         |                                           | 996,565                                    | 996,565                                 |
| Food service operations                    |                         |                                           | 804,917                                    | 804,917                                 |
| Extracurricular                            |                         |                                           | 500,205                                    | 500,205                                 |
| State funded programs                      |                         |                                           | 75,601                                     | 75,601                                  |
| Other purposes                             |                         |                                           | 81,191                                     | 81,191                                  |
| Committed:                                 |                         |                                           |                                            |                                         |
| Capital improvements                       |                         |                                           | 900,000                                    | 900,000                                 |
| Termination benefits                       | \$ 600,000              |                                           |                                            | 600,000                                 |
| Assigned:                                  |                         |                                           |                                            |                                         |
| Student instruction                        | 4,395                   |                                           |                                            | 4,395                                   |
| Student and staff support                  | 118,045                 |                                           |                                            | 118,045                                 |
| School supplies                            | 2,062                   |                                           |                                            | 2,062                                   |
| Other purposes                             | 24,487                  |                                           |                                            | 24,487                                  |
| Unassigned (deficit)                       | 11,660,353              |                                           | (292,221)                                  | 11,368,132                              |
| Total fund balances                        | \$ 12,409,342           | \$ 3,491,472                              | \$ 4,950,534                               | \$ 20,851,348                           |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

|                                               | <b>General<br/>Fund</b> | <b>Permanent<br/>Improvement<br/>Fund</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|-----------------------------------------------|-------------------------|-------------------------------------------|--------------------------------------------|-----------------------------------------|
| <b>Receipts</b>                               |                         |                                           |                                            |                                         |
| Property taxes                                | \$ 11,688,621           | \$ 294,548                                | \$ 1,589,100                               | \$ 13,572,269                           |
| Intergovernmental                             | 9,814,900               | 45,025                                    | 2,933,068                                  | 12,792,993                              |
| Investment earnings                           | 838,742                 |                                           | 163,481                                    | 1,002,223                               |
| Tuition and fees                              | 354,461                 |                                           |                                            | 354,461                                 |
| Extracurricular                               | 85,940                  |                                           | 358,918                                    | 444,858                                 |
| Rental income                                 | 3,100                   | 18,788                                    |                                            | 21,888                                  |
| Charges for services                          | 33,290                  | 119,280                                   | 431,419                                    | 583,989                                 |
| Contributions and donations                   | 11,128                  |                                           | 70,175                                     | 81,303                                  |
| Payment in lieu of taxes                      | 62,158                  | 2,437                                     |                                            | 64,595                                  |
| Miscellaneous                                 | 175,770                 | 3,525                                     | 51,582                                     | 230,877                                 |
| Total receipts                                | 23,068,110              | 483,603                                   | 5,597,743                                  | 29,149,456                              |
| <b>Disbursements</b>                          |                         |                                           |                                            |                                         |
| Current:                                      |                         |                                           |                                            |                                         |
| Instruction:                                  |                         |                                           |                                            |                                         |
| Regular                                       | 10,544,667              | 5,000                                     | 527,091                                    | 11,076,758                              |
| Special                                       | 3,305,849               |                                           | 995,151                                    | 4,301,000                               |
| Vocational                                    | 140,662                 |                                           |                                            | 140,662                                 |
| Other                                         | 253,283                 |                                           |                                            | 253,283                                 |
| Support services:                             |                         |                                           |                                            |                                         |
| Pupil                                         | 1,774,122               |                                           | 35,023                                     | 1,809,145                               |
| Instructional staff                           | 643,477                 | 630,560                                   | 48,452                                     | 1,322,489                               |
| Board of education                            | 61,242                  |                                           |                                            | 61,242                                  |
| Administration                                | 1,605,855               |                                           | 4,217                                      | 1,610,072                               |
| Fiscal                                        | 734,261                 | 10,865                                    | 46,705                                     | 791,831                                 |
| Operations and maintenance                    | 1,794,118               | 74,057                                    | 151,434                                    | 2,019,609                               |
| Pupil transportation                          | 1,024,377               |                                           | 293,631                                    | 1,318,008                               |
| Central                                       | 219,490                 |                                           |                                            | 219,490                                 |
| Operation of non-instructional services:      |                         |                                           |                                            |                                         |
| Food service operations                       |                         |                                           | 1,074,617                                  | 1,074,617                               |
| Other non-instructional services              |                         |                                           | 90,569                                     | 90,569                                  |
| Extracurricular activities                    | 802,523                 |                                           | 432,930                                    | 1,235,453                               |
| Facilities acquisition and construction       |                         | 120,493                                   | 379,421                                    | 499,914                                 |
| Debt service:                                 |                         |                                           |                                            |                                         |
| Principal retirement                          |                         | 6,694                                     | 835,000                                    | 841,694                                 |
| Interest and fiscal charges                   |                         | 482                                       | 860,833                                    | 861,315                                 |
| Total disbursements                           | 22,903,926              | 848,151                                   | 5,775,074                                  | 29,527,151                              |
| Excess of receipts over (under) disbursements | 164,184                 | (364,548)                                 | (177,331)                                  | (377,695)                               |
| <b>Other financing sources (uses):</b>        |                         |                                           |                                            |                                         |
| Transfers in                                  |                         |                                           | 900,000                                    | 900,000                                 |
| Transfers (out)                               | (900,000)               |                                           |                                            | (900,000)                               |
| Advances in                                   | 15,000                  |                                           |                                            | 15,000                                  |
| Advances (out)                                |                         |                                           | (15,000)                                   | (15,000)                                |
| Total other financing sources (uses)          | (885,000)               |                                           | 885,000                                    |                                         |
| Net change in fund balances                   | (720,816)               | (364,548)                                 | 707,669                                    | (377,695)                               |
| Fund balances at beginning of year            | 13,130,158              | 3,856,020                                 | 4,242,865                                  | 21,229,043                              |
| Fund balances at end of year                  | \$ 12,409,342           | \$ 3,491,472                              | \$ 4,950,534                               | \$ 20,851,348                           |

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, 2025**

**NOTE 1 – 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 a locally elected Board form of government consisting of five members elected at large for staggered four-year terms. The District provides educational services to residents of the District as authorized by state and federal guidelines.

The District is staffed by 66 classified employees, 128 certified teaching personnel, and 10 administrators who provide services to 1,607 students and other community members. The Board of Education oversees the operations of the District's three instructional and support facilities.

The reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading.

**A. Primary Government**

The reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

**B. Other Organizations**

The following organizations are not part of the reporting entity and are excluded from the accompanying financial statements:

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 participates in four jointly governed organizations and three group purchasing pools and is associated with a related organization. These organizations include the Northwest Ohio Computer Association (NWOCA), Northern Buckeye Education Council, Four County Career Center, State Support Team Region 1 (SSTR1), Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program, Northern Buckeye Health Plan Workers' Compensation Group Rating Plan (WCGRP), Schools of Ohio Risk Sharing Authority, and the Napoleon Public Library. These organizations are presented in Notes 14, 15, and 16 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially responsible.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

**A. Basis of Presentation**

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

*Government-Wide Financial Statements* – The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. Governmental activities are generally financed through taxes, intergovernmental receipts, or other non-exchange transactions.

The Statement of Net Position – Cash Basis presents the cash balance of the governmental activities of the District at fiscal year-end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the general receipts of the District.

*Fund Financial Statements* – During the fiscal year, the District segregates transactions related to certain District functions or activities into 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. Each major fund is presented in a separate column, and all nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are divided into three categories: governmental, proprietary, and fiduciary. The District does not have any proprietary or fiduciary funds.

***GOVERNMENTAL FUNDS***

Governmental funds are those through which most governmental functions typically are financed, primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions. The following are the District's major governmental funds:

*General Fund* – The General Fund accounts for and reports all financial resources not accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Permanent Improvement Fund* – The Permanent Improvement Fund is used to account for resources that are restricted for the acquisition, construction or improvement of permanent assets. The fund balance of this fund is restricted for capital improvements.

Other governmental funds of the District are used to account for:

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

*Nonmajor Special Revenue Funds* - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Nonmajor Capital Projects Fund* - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

*Nonmajor Debt Service Fund* - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**C. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and government-wide statements and disbursements reported in the budgetary statements is due to current year encumbrances being added to disbursements reported in the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraphs.

**D. Budgetary Process**

All 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 disbursements 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 fiscal year if projected increases or decreases in receipts 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.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

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.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in pooled cash and cash equivalents" on the basic financial statements.

Investments of the District's 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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2025, the District invested in the State Treasury Asset Reserve of Ohio (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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For fiscal year 2025, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2025 amounted to \$838,742, which includes \$248,078 assigned from other funds.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements. The District reported no restricted assets.

**G. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

**H. Capital Assets**

Acquisition of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Accumulated Leave**

For fiscal year 2025, GASB Statement No. 101, "Compensated Absences", was effective. GASB 101 defines a compensated absence as leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. The District does not offer noncash settlements.

District employees earn sick, vacation, and personal time that can be used for time off. In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave.

This GASB pronouncement had no effect on beginning net position/fund balance as unpaid leave is not reflected as a liability under the District's cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

**K. Long-Term Obligations**

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay disbursement is reported at inception. Financed purchase payments are reported when paid.

**L. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. All other net position that does not meet the definition of restricted are reported as unrestricted net position.

The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available. There are no amounts restricted to enabling legislation.

**M. Budget Stabilization**

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Disbursements out of the budget stabilization reserve can be made to offset future budget deficits or disbursements as approved by the Board of Education. At June 30, 2025, the balance in the budget stabilization reserve was \$252,152. This amount is included in the unassigned fund balance of the General Fund and in unassigned net position on the statement of net position.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

**N. Fund Balance**

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

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the District’s Board of Education. In the General Fund, assigned amounts represent intended uses established by policies of the District Board of Education or a District official designated by that authority by resolution or by State statute. State statute authorizes the District’s Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated.

*Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance.

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

**O. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 cash disbursements to the funds that initially paid for them are not presented on the financial statements.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

**P. Pensions/Other Postemployment Benefits (OPEB)**

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

**Q. Interfund Receivable/Payable**

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**R. New Accounting Pronouncements**

For fiscal year 2025, the District implemented GASB Statement No. 102, Certain Risk Disclosures, but had no disclosures related to concentrations or constraints. This GASB pronouncement relates to note disclosure only and had no effect on beginning net position/fund balance.

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2025, the District has implemented GASB Statement No. 101, “Compensated Absences” and GASB Statement No. 102, “Certain Risk Disclosures”.

GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The implementation of GASB Statement No. 101 did not have an effect on the financial statements of the District.

GASB Statement No. 102 improves financial reporting by providing users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government’s financial condition. The implementation of GASB Statement No. 102 did not have an effect on the financial statements of the District.

**B. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its basic financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying basic financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

**C. Deficit Fund Balances**

Fund balances at June 30, 2025 included the following individual fund deficits:

| <u>Nonmajor Governmental Funds</u>                   | <u>Deficit</u> |
|------------------------------------------------------|----------------|
| Elementary and Secondary School Emergency Fund       | \$ 289,383     |
| Student Support and Academic Enrichment Program Fund | 1,592          |
| Supporting Effective Instruction Fund                | 1,246          |

The deficit fund balances resulted from a lag between disbursements made by the District and reimbursements from grantors and are allowable under Ohio Revised Code Section 3315.20.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

Monies held by the District are classified by State statute into three categories.

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage 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 fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

4. Bonds and other obligations of the State of Ohio or local governments, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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 only through eligible institutions;
7. The State Treasurer's investment pool, (STAR Ohio);
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the District had \$50 in undeposited cash on hand which is part of "Equity in pooled cash and cash equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2025, the carrying amount of all District deposits was \$14,653,440. Of the District's bank balance of \$14,773,950, \$300,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$14,473,950 was covered by pooled collateral through the Ohio Pooled Collateral System (OPCS).

Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2025, the District had the following investment and maturity:

| <u>Investment Type</u> | <u>Amortized<br/>Cost</u> | <u>Investment Maturity<br/>6 months<br/>or less</u> |
|------------------------|---------------------------|-----------------------------------------------------|
| STAR Ohio              | \$ 6,197,858              | \$ 6,197,858                                        |

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

*Concentration of Credit Risk:* The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2025:

| <u>Investment Type</u> | <u>Cost Value</u> | <u>% of Total</u> |
|------------------------|-------------------|-------------------|
| STAR Ohio              | \$ 6,197,858      | 100.00            |

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2025:

| <u>Cash and Investments Per Note</u> |                      |
|--------------------------------------|----------------------|
| Carrying amount of deposits          | \$ 14,653,440        |
| Investments                          | 6,197,858            |
| Cash on hand                         | 50                   |
| Total                                | <u>\$ 20,851,348</u> |

| <u>Cash and Investments Per Statement of Net Position - Cash Basis</u> |                      |
|------------------------------------------------------------------------|----------------------|
| Governmental activities                                                | <u>\$ 20,851,348</u> |

**NOTE 5 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property, located within the District. Real property tax revenues received in calendar year 2025 represent the collection of calendar year 2024 taxes. Real property taxes received in calendar year 2025 were levied after April 1, 2024, on the assessed values as of January 1, 2024, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2025 represent the collection of calendar year 2024 taxes. Public utility real and tangible personal property taxes received in calendar year 2025 became a lien on December 31, 2023, were levied after April 1, 2024 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2025, are available to finance fiscal year 2025 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

The assessed values upon which the fiscal year 2025 taxes were collected are:

|                                                   | 2024 Second<br>Half Collections |                | 2025 First<br>Half Collections |                |
|---------------------------------------------------|---------------------------------|----------------|--------------------------------|----------------|
|                                                   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 436,151,170                  | 86.81          | \$ 439,171,980                 | 87.20          |
| Public utility personal                           | <u>66,265,160</u>               | <u>13.19</u>   | <u>64,448,260</u>              | <u>12.80</u>   |
| Total                                             | <u>\$ 502,416,330</u>           | <u>100.00</u>  | <u>\$ 503,620,240</u>          | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$ 57.20                        |                | \$ 61.90                       |                |

**NOTE 6 – 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.

**NOTE 7 – TAX ABATEMENTS**

**Enterprise Zones**

The Henry County Commissioners, the Community Improvement Corporation of Henry County, and the Maumee Valley Planning Organization entered into property tax abatement agreements with local businesses under Enterprise Zone tax abatement agreements. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by \$9,220 during fiscal year 2025.

**NOTE 8 – DEBT**

**A.** During the year ended June 30, 2025, the following changes occurred in the District's debt obligations:

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

|                                                          | Balance<br>06/30/24  | Additions        | Reductions          | Balance<br>06/30/25  | Amounts<br>Due in<br>One Year |
|----------------------------------------------------------|----------------------|------------------|---------------------|----------------------|-------------------------------|
| <b>Governmental activities:</b>                          |                      |                  |                     |                      |                               |
| General obligation bonds,<br>series 2020A                | \$ 455,000           |                  | \$ (70,000)         | \$ 385,000           | \$ 75,000                     |
| General obligation refunding<br>bonds, series 2020B:     |                      |                  |                     |                      |                               |
| Current interest bonds                                   | 14,675,000           |                  | (765,000)           | 13,910,000           | 135,000                       |
| Capital appreciation bonds                               | 135,000              |                  |                     | 135,000              |                               |
| Accreted interest                                        | 182,412              | \$ 71,086        |                     | 253,498              |                               |
| General obligation refunding<br>bonds, series 2022       | 10,035,000           |                  |                     | 10,035,000           | 505,000                       |
| Total general obligation bonds                           | <u>25,482,412</u>    | <u>71,086</u>    | <u>(835,000)</u>    | <u>24,718,498</u>    | <u>715,000</u>                |
| Notes payable - financed<br>purchases (direct borrowing) | <u>6,694</u>         |                  | <u>(6,694)</u>      |                      |                               |
| Total debt obligations                                   | <u>\$ 25,489,106</u> | <u>\$ 71,086</u> | <u>\$ (841,694)</u> | <u>\$ 24,718,498</u> | <u>\$ 715,000</u>             |

**B. School Facilities and Construction and Improvement Bonds, Series 2020A**

On March 11, 2020, the District issued general obligation bonds to finance building construction and improvements. The issue is comprised of current interest bonds, par value \$700,000. The interest rate on the current interest bonds ranges from 2.00 percent to 5.00 percent.

As of June 30, 2025, \$385,000 of the Series 2020A general obligation bonds are outstanding.

These bonds 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 this bond issuance are recorded as disbursements in the Bond Retirement Fund (a Nonmajor Governmental Fund).

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated for this bond issuance is December 1, 2029.

**C. Refunding Bonds, Series 2020B**

On March 11, 2020, the District issued refunding bonds in the amount of \$16,200,000 to partially refund the Series 2012 general obligation bonds that were issued for improving and constructing school buildings and facilities in the amount of \$16,200,000. The refunding bond issue is comprised of both current interest bonds, par value \$16,065,000, and capital appreciation bonds, par value \$135,000. The interest rate on the current interest bonds ranges from 1.70 percent to 3.25 percent. The capital appreciation bonds mature on December 1, 2031, 2032, 2033, and 2034 (stated interest ranges from 21.11 percent to 22.46 percent) at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,225,000.

As of June 30, 2025, \$13,910,000 in current interest bonds of the Series 2020B general obligation bonds are outstanding.

These bonds 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 this bond issuance are recorded as disbursements in the Bond Retirement Fund (a Nonmajor Governmental Fund).

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated for this bond issuance is December 1, 2039.

**D. Refunding Bonds, Series 2022**

On March 3, 2022, the District issued Series 2022 refunding bonds in the amount of \$10,545,000 to refund the Series 2012 in the amount of \$11,635,000. The refunding bond issue is comprised of serial bonds, par value \$8,730,000, and term bonds, par value \$1,815,000. The interest rate on the current interest bonds ranges from 4.00 percent to 5.00 percent.

The net present value savings of the refunding was \$1,030,915. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. The refunded bonds, which have a balance of \$11,060,000, were not included in the District's outstanding debt obligations since the District has in-substance satisfied its obligations through the advance refunding.

These bonds 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 this bond issuance are recorded as disbursements in the Bond Retirement Fund (a Nonmajor Governmental Fund).

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated for this bond issuance is December 1, 2049.

**E. The following is a summary of the future debt service requirements to maturity for the general obligation bonds outstanding.**

| Fiscal<br>Year Ended | General Obligation Bonds |                      |                      | Capital Appreciation Bonds, Series 2020B |                     |                     |
|----------------------|--------------------------|----------------------|----------------------|------------------------------------------|---------------------|---------------------|
|                      | Principal                | Interest             | Total                | Principal                                | Interest            | Total               |
| 2026                 | \$ 715,000               | \$ 841,115           | \$ 1,556,115         |                                          |                     |                     |
| 2027                 | 740,000                  | 815,583              | 1,555,583            |                                          |                     |                     |
| 2028                 | 765,000                  | 788,212              | 1,553,212            |                                          |                     |                     |
| 2029                 | 795,000                  | 756,798              | 1,551,798            |                                          |                     |                     |
| 2030                 | 830,000                  | 720,665              | 1,550,665            |                                          |                     |                     |
| 2031 - 2035          | 2,405,000                | 3,123,613            | 5,528,613            | \$ 135,000                               | \$ 2,090,000        | \$ 2,225,000        |
| 2036 - 2040          | 5,195,000                | 2,557,797            | 7,752,797            |                                          |                     |                     |
| 2041 - 2045          | 5,635,000                | 1,658,056            | 7,293,056            |                                          |                     |                     |
| 2046 - 2050          | 7,250,000                | 604,012              | 7,854,012            |                                          |                     |                     |
| Total                | <u>\$ 24,330,000</u>     | <u>\$ 11,865,851</u> | <u>\$ 36,195,851</u> | <u>\$ 135,000</u>                        | <u>\$ 2,090,000</u> | <u>\$ 2,225,000</u> |

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

**F. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2025, are a voted debt margin of \$21,983,663 (including available Debt Service funds of \$987,841) and an unvoted debt margin of \$503,620.

**G. Financed Purchases**

The District has entered into a financed purchase agreement for computer equipment where ownership of the underlying asset transfers to the District by the end of the contract. The District made principal and interest payments of \$6,694 and \$482, respectively, from the Permanent Improvement Fund to pay these costs for fiscal year 2025. As of June 30, 2025, there is no future obligation outstanding related to this financed purchase agreement.

**NOTE 9 – RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), Inc., an insurance purchasing pool, (see Note 15.C.), for insurance coverage. Coverages provided are as follows:

|                                   |               |
|-----------------------------------|---------------|
| Property (building & contents)    | \$ 92,313,635 |
| Equipment Breakdown (all members) | 350,000,000   |
| Automobile Liability              | 15,000,000    |
| Educators' Legal Liability        | 15,000,000    |
| Crime Coverage                    | 1,000,000     |
| General Liability:                |               |
| Per Occurrence                    | 15,000,000    |
| General Annual Aggregate          | 17,000,000    |

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Program) (see Note 15.A.), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties and other governmental entities. The District pays monthly premiums to the Program for the benefits offered to its employees, which includes health, dental, vision and life insurance. Monthly premiums for life insurance are paid to American United Life Insurance. NBHP is responsible for the management and operations of the Program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from 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 Health Plan (NBHP) Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (see Note 15.B.). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The Plan is governed by NBHP and the governing members of the Plan. The Executive Director of the NBHP coordinates the management and administration of the program.

**NOTE 10 – COMPENSATED ABSENCES**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Administrators/Supervisors, Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 5 to 30 days. Employees with less than one year of service do not earn vacation.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to a teacher upon retirement is limited to 25 percent of the accumulated sick leave to a maximum of 55 days.

The amount paid to the Superintendent or Treasurer upon retirement is limited to 30 percent of the accumulated sick leave to a maximum of 75 days. The amount paid to a classified employee upon retirement is limited to 25 percent of the accumulated sick leave to a maximum of 55 days. The amount paid to an administrator/supervisor upon retirement is limited to 25 percent of the accumulated sick leave to a maximum of 55 days. The amount paid to a confidential employee with a minimum of 5 years of service upon retirement is limited to 25 percent of the accumulated sick leave to a maximum of 55 days.

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

Confidential personnel with greater than ten years of experience at the District may receive \$250 per year of service at retirement. Administrators/supervisors with a minimum of 5 years of experience are eligible for \$1,000 per year of service not to exceed \$10,000 in total.

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability/Asset***

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability/asset. Resulting adjustments to the net pension/OPEB liability/asset would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The net pension/net OPEB liability/asset are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

***Plan Description – School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire before<br>August 1, 2017 *                                    | Eligible to<br>Retire on or after<br>August 1, 2017                                  |
|------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Full benefits                | Any age with 30 years of service credit                                             | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit; or<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2024.

Funding Policy – Plan members are required to contribute 10.00 percent of their annual covered salary and the District is required to contribute 14.00 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10.00 percent for plan members and 14.00 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2025, the allocation to pension, death benefits, and Medicare B was 14.00 percent. For fiscal year 2025, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District’s contractually required contribution to SERS was \$432,940 for fiscal year 2025.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

***Plan Description – State Teachers Retirement System (STRS)***

Plan Description – District licensed teachers and other faculty members participate in STRS, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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 (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. The calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of credited service. Effective August 1, 2023, any member can retire with unreduced benefits with 34 years of services credit at any age; or five years of service credit and age 65. Effective June 1, 2025 – July 1, 2027, any member can retire with unreduced benefits with 33 years of service credit at any age; or five years of service credit and age 65. Effective on or after August 1, 2027, any member can retire with unreduced benefits with 34 years of service credit at any age; or five years of service credit and age 65.

In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a permanent 1 percent COLA of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits effective August 1, 2023, can retire with 29 years of service credit at any age; or five years of service credit and age 60. Effective June 1, 2025 – July 1, 2027, retirement eligibility for reduced benefits is 28 years of service credit at any age; or five years of service credit and age 60. Effective on or after August 1, 2027, retirement eligibility for reduced benefits is 29 years of service credit at any age; or five years of service credit and age 60.

The DC Plan allows members to place all of their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2025 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2025, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$1,582,637 for fiscal year 2025.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share:

|                                                  | <u>SERS</u>          | <u>STRS</u>          | <u>Total</u>  |
|--------------------------------------------------|----------------------|----------------------|---------------|
| Proportion of the Net Pension Liability:         |                      |                      |               |
| Prior Measurement Date                           | 0.076783000%         | 0.081688020%         |               |
| Current Measurement Date                         | <u>0.074599000%</u>  | <u>0.079829750%</u>  |               |
| Change in Proportionate Share                    | <u>-0.002184000%</u> | <u>-0.001858270%</u> |               |
| Proportionate Share of the Net Pension Liability | \$ 3,816,185         | \$ 15,360,534        | \$ 19,176,719 |

***Actuarial Assumptions – SERS***

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2137.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2024, are presented below:

|                                              |                                                                                                                                   |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Inflation                                    | 2.4 percent                                                                                                                       |
| Future Salary Increases, including inflation | 3.25 percent to 13.58 percent                                                                                                     |
| COLA or Ad Hoc COLA                          | 2.0 percent, on or after<br>April 1, 2018, COLAs for future<br>retirees will be delayed for three<br>years following commencement |
| Investment Rate of Return                    | 7.00 percent net of<br>System expenses                                                                                            |
| Actuarial Cost Method                        | Entry Age Normal<br>(Level Percent of Payroll)                                                                                    |

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. Ohio Revised Code Section 3309.15 and the Board-adopted Investment Policy govern investment activity at SERS. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2024:

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

| Asset Class                 | Target<br>Allocation | Long-Term Expected Real<br>Rate of Return (geometric) |
|-----------------------------|----------------------|-------------------------------------------------------|
| Cash                        | 3.00 %               | 0.97 %                                                |
| US Equity                   | 22.00                | 4.68                                                  |
| Non-US Equity Developed     | 12.00                | 4.96                                                  |
| Non-US Equity Emerging      | 6.00                 | 5.66                                                  |
| Fixed Income/Global Bonds   | 18.00                | 2.38                                                  |
| Private Equity              | 14.00                | 7.10                                                  |
| Real Estate                 | 13.00                | 3.64                                                  |
| Infrastructure              | 7.00                 | 4.80                                                  |
| Private Debt/Private Credit | 5.00                 | 5.86                                                  |
| Total                       | <u>100.00 %</u>      |                                                       |

**Discount Rate** – Total pension liability for 2024 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 20-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2024 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return, 7.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2024 was 9.31 percent.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

|                                                                | 1% Decrease  | Current<br>Discount Rate | 1% Increase  |
|----------------------------------------------------------------|--------------|--------------------------|--------------|
| District's proportionate share<br>of the net pension liability | \$ 5,838,233 | \$ 3,816,185             | \$ 2,113,728 |

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the June 30, 2024, actuarial valuations are presented below:

|                                   |                                                                  |
|-----------------------------------|------------------------------------------------------------------|
| Inflation                         | 2.50 percent                                                     |
| Salary increases                  | From 2.5 percent to 8.5 percent<br>based on service              |
| Investment Rate of Return         | 7.00 percent, net of investment<br>expenses, including inflation |
| Discount Rate of Return           | 7.00 percent                                                     |
| Payroll Increases                 | 3.00 percent                                                     |
| Cost-of-Living Adjustments (COLA) | 0.0 percent, effective July 1, 2017                              |

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class          | Target<br>Allocation* | Long-Term Expected<br>Real Rate of Return ** |
|----------------------|-----------------------|----------------------------------------------|
| Domestic Equity      | 26.00 %               | 6.90 %                                       |
| International Equity | 22.00                 | 7.70                                         |
| Alternatives         | 19.00                 | 9.10                                         |
| Fixed Income         | 22.00                 | 4.50                                         |
| Real Estate          | 10.00                 | 5.10                                         |
| Liquidity Reserves   | 1.00                  | 2.40                                         |
| Total                | <u>100.00 %</u>       |                                              |

\* Final target weights reflected at October 1, 2022.

\*\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.40 percent and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2024. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2024.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following table represents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

|                                                                | 1% Decrease   | Current<br>Discount Rate | 1% Increase  |
|----------------------------------------------------------------|---------------|--------------------------|--------------|
| District's proportionate share<br>of the net pension liability | \$ 24,779,233 | \$ 15,360,534            | \$ 7,393,933 |

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

***Assumption and Benefit Changes Since the Prior Measurement Date*** – The discount rate remained at 7.00 percent for June 30, 2024 valuation.

Retirement rates were extended to younger ages intended to ensure that the ranges in retirement eligibility impacted participants at such ages.

Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

**NOTE 12 – DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

See Note 11 for a description of the net OPEB liability/asset.

***Plan Description – School Employees Retirement System (SERS)***

Health Care Plan Description – The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2024, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2025, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2025, the District's surcharge obligation was \$54,115.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$54,115 for fiscal year 2025.

***Plan Description – State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2025, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability/Asset***

The net OPEB liability/asset was measured as of June 30, 2024, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

|                                       | <u>SERS</u>          | <u>STRS</u>          | <u>Total</u>   |
|---------------------------------------|----------------------|----------------------|----------------|
| Proportion of the Net OPEB Liability: |                      |                      |                |
| Prior Measurement Date                | 0.079052100%         | 0.081688020%         |                |
| Current Measurement Date              | <u>0.075933700%</u>  | <u>0.079829750%</u>  |                |
| Change in Proportionate Share         | <u>-0.003118400%</u> | <u>-0.001858270%</u> |                |
| Proportionate Share of the:           |                      |                      |                |
| Net OPEB Liability                    | \$ 773,381           |                      | \$ 773,381     |
| Net OPEB (Asset)                      |                      | \$ (1,514,218)       | \$ (1,514,218) |

***Actuarial Assumptions – SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2024 are presented below:

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

|                                                       | <u>June 30, 2024</u>                           |
|-------------------------------------------------------|------------------------------------------------|
| Inflation                                             | 2.40 percent                                   |
| Future Salary Increases, including inflation          | 3.25 percent to 13.58 percent                  |
| Investment Rate of Return                             | 7.00 percent net of<br>investment expense      |
| Actuarial Cost Method                                 | Entry Age Normal<br>(Level Percent of Payroll) |
| Fiduciary Net Position is Projected<br>to be Depleted | 2059                                           |
| Municipal Bond Index Rate:                            |                                                |
| Measurement Date                                      | 3.93 percent                                   |
| Prior Measurement Date                                | 3.86 percent                                   |
| Single Equivalent Interest Rate,                      |                                                |
| Measurement Date                                      | 4.88 percent                                   |
| Prior Measurement Date                                | 4.27 percent                                   |
| Health Care Cost Trend Rate                           |                                                |
| Medical Trend Assumption                              |                                                |
| Measurement Date                                      | 7.00 to 4.40 percent                           |
| Prior Measurement Date                                | 6.75 to 4.40 percent                           |

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term expected rate on plan assets of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent five-year experience study was performed for the period covering fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2024:

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

| Asset Class                 | Target<br>Allocation | Long-Term Expected Real<br>Rate of Return (geometric) |
|-----------------------------|----------------------|-------------------------------------------------------|
| Cash                        | 3.00 %               | 0.97 %                                                |
| US Equity                   | 22.00                | 4.68                                                  |
| Non-US Equity Developed     | 12.00                | 4.96                                                  |
| Non-US Equity Emerging      | 6.00                 | 5.66                                                  |
| Fixed Income/Global Bonds   | 18.00                | 2.38                                                  |
| Private Equity              | 14.00                | 7.10                                                  |
| Real Estate                 | 13.00                | 3.64                                                  |
| Infrastructure              | 7.00                 | 4.80                                                  |
| Private Debt/Private Credit | 5.00                 | 5.86                                                  |
| Total                       | <u>100.00 %</u>      |                                                       |

**Discount Rate** – The discount rate used to measure the total OPEB liability at June 30, 2024, was 4.88 percent. The discount rate used to measure total OPEB liability prior to June 30, 2024, was 4.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position is projected to be depleted in 2059 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2023 and the June 30, 2024 total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.93 percent at June 30, 2024 and 3.86 percent at June 30, 2023.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the proportionate share of the net OPEB liability, what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.88 percent) and higher (5.88 percent) than the current discount rate (4.88 percent). Also shown is what the proportionate share of the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00 percent decreasing to 3.40 percent) and higher (8.00 percent decreasing to 5.40 percent) than the current rate (7.00 percent decreasing to 4.40 percent).

|                                                             | 1% Decrease  | Current<br>Discount Rate | 1% Increase |
|-------------------------------------------------------------|--------------|--------------------------|-------------|
| District's proportionate share<br>of the net OPEB liability | \$ 1,031,276 | \$ 773,381               | \$ 568,449  |

|                                                             | 1% Decrease | Current<br>Trend Rate | 1% Increase  |
|-------------------------------------------------------------|-------------|-----------------------|--------------|
| District's proportionate share<br>of the net OPEB liability | \$ 522,777  | \$ 773,381            | \$ 1,102,780 |

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the June 30, 2024, actuarial valuation compared to the prior year are presented below:

|                            | June 30, 2024                                                 | June 30, 2023                                                 |
|----------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| Projected salary increases | Varies by service from 2.5 percent to 8.5 percent             | Varies by service from 2.5 percent to 8.5 percent             |
| Investment Rate of Return  | 7.00 percent, net of investment expenses, including inflation | 7.00 percent, net of investment expenses, including inflation |
| Payroll Increases          | 3 percent                                                     | 3 percent                                                     |
| Discount Rate of Return    | 7.00 percent                                                  | 7.00 percent                                                  |
| Health Care Cost Trends    |                                                               |                                                               |
| Medical                    |                                                               |                                                               |
| Pre-Medicare               | 7.50 percent initial<br>3.94 percent ultimate                 | 7.50 percent initial<br>4.14 percent ultimate                 |
| Medicare                   | -112.22 percent initial<br>3.94 percent ultimate              | -10.94 percent initial<br>4.14 percent ultimate               |
| Prescription Drug          |                                                               |                                                               |
| Pre-Medicare               | 8.00 percent initial<br>3.94 percent ultimate                 | -11.95 percent initial<br>4.14 percent ultimate               |
| Medicare                   | -15.14 percent initial<br>3.94 percent ultimate               | 1.33 percent initial<br>4.14 percent ultimate                 |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

| Asset Class          | Target<br>Allocation* | Long-Term Expected<br>Real Rate of Return ** |
|----------------------|-----------------------|----------------------------------------------|
| Domestic Equity      | 26.00 %               | 6.90 %                                       |
| International Equity | 22.00                 | 7.70                                         |
| Alternatives         | 19.00                 | 9.10                                         |
| Fixed Income         | 22.00                 | 4.50                                         |
| Real Estate          | 10.00                 | 5.10                                         |
| Liquidity Reserves   | 1.00                  | 2.40                                         |
| Total                | 100.00 %              |                                              |

\* Final target weights reflected at October 1, 2022.

\*\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.40 percent and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** – The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2024. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2024.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** – The following table represents the net OPEB asset as of June 30, 2024, calculated using the current period discount rate assumption of 7.00 percent, as well as what the proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the proportionate share of the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

|                                                         | 1% Decrease  | Current<br>Discount Rate | 1% Increase  |
|---------------------------------------------------------|--------------|--------------------------|--------------|
| District's proportionate share<br>of the net OPEB asset | \$ 1,231,159 | \$ 1,514,218             | \$ 1,760,541 |

|                                                         | 1% Decrease  | Current<br>Trend Rate | 1% Increase  |
|---------------------------------------------------------|--------------|-----------------------|--------------|
| District's proportionate share<br>of the net OPEB asset | \$ 1,777,179 | \$ 1,514,218          | \$ 1,197,972 |

**NOTE 13 – SET-ASIDES**

The District is required by State law to annually set-aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purpose in future years.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

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

|                                             | <u>Capital<br/>Improvements</u> |
|---------------------------------------------|---------------------------------|
| Set-aside balance June 30, 2024             |                                 |
| Current year set-aside requirement          | \$ 417,760                      |
| Current year qualifying disbursements       | (95,063)                        |
| Current year offsets                        | <u>(471,785)</u>                |
| Total                                       | <u>\$ (149,088)</u>             |
| Balance carried forward to fiscal year 2026 |                                 |

Although the District had qualifying offsets during the fiscal year that reduced the set-aside amount below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years.

**NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood 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.

The NWOCA Assembly consists of a superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the six counties in which the member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. All payments made by the District for services received are made to the Northern Buckeye Education Council. Total disbursements made by the District to NWOCA during this fiscal year were \$124,700. Financial information can be obtained from Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, 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, Lucas, Williams, and Wood 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 six 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. The District paid \$250 to NBEC during this fiscal year for a membership fee. To obtain financial information write to the Northern Buckeye Education Council, Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center – one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city districts; and one representative from each of the exempted village districts. The Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to Four County Career Center amounted to \$1,400 during the fiscal year. To obtain financial information write to the Four County Career Center, Homer Hendricks, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**D. State Support Team Region 1**

The State Support Team Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties, and Fostoria Community City Schools in Seneca County. House Bill 115 established the Educational Regional Service 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. Resulting from House Bill 115, the Ohio Department of Education established a 16-region system consisting of a State Support Team for each of the 16 regions, which has a fiscal agent for each region. The fiscal agent for the SSTR1 is the Educational Service Center of Lake Erie West. The SSTR1 Executive Director and Single Point of Contact is Lynn McKahan. Contact information is available at [www.sstr1.org](http://www.sstr1.org). Financial information can be obtained from the Educational Service Center of Lake Erie West, 2275 Collingwood, Toledo, Ohio 43620.

**NOTE 15 – GROUP PURCHASING POOLS**

**A. Employee Insurance Benefits Program**

The District participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program. NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Rev. Code Section 9.833. NBHP is a public entity shared risk pool consisting of educational entities throughout the State. NBHP is governed by OHI and its participating members. Total disbursements made by the District of \$3,258,572 to Northern Buckeye Health Plan, Northwest Division of OHI for employee insurance benefits during this fiscal year. Financial information for the period can be obtained from Todd Rosenbaum, Treasurer, at 201 East 5th Street, Suite 2100, Cincinnati, Ohio 45202.

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

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

OHI has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District's enrollment fee of \$330 was used to cover the costs of administering the program.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

**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 \$119,889 for these services to SORSA in fiscal year 2025.

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. The District works with Frost Insurance Agency Inc., a local agent, as a liaison between SORSA and the District. SORSA employs an Executive Director, Program Manager, Risk Control Manager, and Claims Manager. Claims are handled in-house by Claims Manager Greg Gilliam. Additional information can be obtained from SORSA, 555 Metro Place North, Suite 645, Dublin, Ohio 43017 or by calling 866-767-7299.

**NOTE 16 – 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.

**NOTE 17 – CONTINGENCIES**

**A. Grants**

Amounts grantor agencies to the District are subject to audit and adjustment by the grantor, principally to the federal government. Grantors may require refunding for any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**B. Litigation**

The District is currently party to legal proceedings. Because management cannot presently determine the outcome of the suit, it is currently unknown how the resolution of this matter might affect the District’s financial statements.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)**

**NOTE 18 – OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end are reservation of fund balance for subsequent-year disbursements and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u>                 | <u>Year-End<br/>Encumbrances</u> |
|-----------------------------|----------------------------------|
| General Fund                | \$ 93,133                        |
| Permanent Improvement Fund  | 151,423                          |
| Nonmajor Governmental Funds | <u>150,084</u>                   |
| Total                       | <u><u>\$ 394,640</u></u>         |

**NOTE 19 – INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the fiscal year ended June 30, 2025, consisted of transfers from the General Fund in the amount of \$900,000 to the Capital Projects Fund (a Nonmajor Governmental Fund), as reported on the fund statements. The purpose of the transfer was to establish the fund.

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

- B.** Advances for the fiscal year ended June 30, 2025, consisted of a \$15,000 advance from the Auxiliary Services Fund (a Nonmajor Governmental Fund) to the General Fund. The advance is a repayment of the prior year advance. Advances between governmental funds have been eliminated on the statement of net position.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

|                                                    | <b>Budgeted Amounts</b> |                      | <b>Actual Amounts<br/>Budgetary<br/>Basis</b> | <b>Variance with<br/>Final Budget -<br/>Over (Under)<br/>Actual Amounts</b> |
|----------------------------------------------------|-------------------------|----------------------|-----------------------------------------------|-----------------------------------------------------------------------------|
|                                                    | <b>Original</b>         | <b>Final</b>         |                                               |                                                                             |
| Budgetary receipts and other financing sources     | \$ 22,177,500           | \$ 23,061,125        | \$ 23,050,254                                 | \$ (10,871)                                                                 |
| Budgetary disbursements and other financing uses   | 24,426,915              | 25,855,079           | 24,451,977                                    | (1,403,102)                                                                 |
| Net change in fund balance                         | (2,249,415)             | (2,793,954)          | (1,401,723)                                   | 1,392,231                                                                   |
| <b>Budgetary fund balance at beginning of year</b> | 13,025,457              | 13,025,457           | 13,025,457                                    |                                                                             |
| <b>Prior year encumbrances appropriated</b>        | 36,619                  | 36,619               | 36,619                                        |                                                                             |
| <b>Budgetary fund balance at end of year</b>       | <u>\$ 10,812,661</u>    | <u>\$ 10,268,122</u> | <u>\$ 11,660,353</u>                          | <u>\$ 1,392,231</u>                                                         |

SEE ACCOMPANYING NOTES TO SUPPLEMENTARY INFORMATION

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

**NOTE 1 – BUDGETARY PROCESS**

The budget basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budget basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis are as follows:

1. Outstanding year end encumbrances are treated as a cash disbursement (budget basis) rather than as restricted, committed or assigned fund balance (cash basis).
2. Some funds are included in the General Fund (cash basis) but have separate legally adopted budgets (budget basis).

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

|                          | <u>General Fund</u>            |
|--------------------------|--------------------------------|
| Budgetary basis          | \$ (1,401,723)                 |
| Funds budgeted elsewhere | 589,578                        |
| Outstanding encumbrances | <u>91,329</u>                  |
| <br>Cash Basis           | <br><u><u>\$ (720,816)</u></u> |

As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate Special Revenue Funds are considered part of the General Fund. This includes the Uniform School Supplies Fund, the Rotary Fund, the Public School Support Fund, and the Termination Benefits Fund.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

| <b>FEDERAL GRANTOR<br/>Pass Through Grantor<br/>Program / Cluster Title</b>            | <b>Federal<br/>AL<br/>Number</b> | <b>Provided<br/>to<br/>Subrecipients</b> | <b>Total Federal<br/>Expenditures</b> |
|----------------------------------------------------------------------------------------|----------------------------------|------------------------------------------|---------------------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                                  |                                  |                                          |                                       |
| <b><i>Passed Through Ohio Department of Education and Workforce</i></b>                |                                  |                                          |                                       |
| <u>Child Nutrition Cluster:</u>                                                        |                                  |                                          |                                       |
| School Breakfast Program                                                               |                                  |                                          |                                       |
| Cash Assistance                                                                        | 10.553                           |                                          | \$ 87,812                             |
| National School Lunch Program                                                          |                                  |                                          |                                       |
| Cash Assistance                                                                        | 10.555                           |                                          | 424,023                               |
| Non-Cash Assistance (Food Distribution)                                                | 10.555                           |                                          | 61,991                                |
| Total National School Lunch Program                                                    |                                  |                                          | 486,014                               |
| Total Child Nutrition Cluster                                                          |                                  |                                          | 573,826                               |
| Total U.S. Department of Agriculture                                                   |                                  |                                          | 573,826                               |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                                    |                                  |                                          |                                       |
| <b><i>Passed Through Ohio Department of Education and Workforce</i></b>                |                                  |                                          |                                       |
| Title I Grants to Local Educational Agencies - FY 2024                                 | 84.010                           |                                          | 37,595                                |
| Title I Grants to Local Educational Agencies - FY 2025                                 | 84.010                           |                                          | 353,386                               |
| Total Title I Grants to Local Educational Agencies                                     |                                  |                                          | 390,981                               |
| <u>Special Education Cluster:</u>                                                      |                                  |                                          |                                       |
| Special Education Grants to States                                                     | 84.027                           | \$ 494,505                               | 494,505                               |
| Special Education Preschool Grants                                                     | 84.173                           | 18,826                                   | 18,826                                |
| Total Special Education Cluster                                                        |                                  | 513,331                                  | 513,331                               |
| English Language Acquisition State Grants                                              | 84.365                           | 2,041                                    | 2,041                                 |
| Supporting Effective Instruction State Grants - FY 2024                                | 84.367                           |                                          | 14,348                                |
| Supporting Effective Instruction State Grants - FY 2025                                | 84.367                           |                                          | 43,899                                |
| Total Supporting Effective Instruction State Grants                                    |                                  |                                          | 58,247                                |
| Student Support and Academic Enrichment Program - FY 2024                              | 84.424                           |                                          | 861                                   |
| Student Support and Academic Enrichment Program - FY 2025                              | 84.424                           |                                          | 30,358                                |
| Total Student Support and Academic Enrichment Program                                  |                                  |                                          | 31,219                                |
| COVID-19 Education Stabilization Fund                                                  |                                  |                                          |                                       |
| American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER) | 84.425U                          |                                          | 968,338                               |
| Total Education Stabilization Fund                                                     |                                  |                                          | 968,338                               |
| Total U.S. Department of Education                                                     |                                  |                                          | 1,964,157                             |
| <b>Total Expenditures of Federal Awards</b>                                            |                                  | <b>\$ 515,372</b>                        | <b>\$ 2,537,983</b>                   |

*The accompanying notes are an integral part of this schedule.*

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR § 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Napoleon Area City School District, Henry County, Ohio (the District) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected to use the 10-percent / 15-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – SUBRECIPIENTS**

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

As a pass-through entity, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**NOTE E – 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 F – FOOD DONATION PROGRAM**

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

**NOTE G – TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with DEW's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2025 to 2026 programs:

Napoleon Area City School District  
Henry County  
Notes to the Schedule of Expenditures of Federal Awards  
Page 2

| <b><u>Program Title</u></b>                     | <b><u>AL<br/>Number</u></b> | <b><u>Amt.<br/>Transferred</u></b> |
|-------------------------------------------------|-----------------------------|------------------------------------|
| Supporting Effective Instruction State Grants   | 84.367                      | \$ 41,654                          |
| Student Support and Academic Enrichment Program | 84.424                      | 22                                 |



65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

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

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

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 18, 2026, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2025-001.

### ***District's Response to Finding***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEITH FABER  
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM  
Chief Deputy Auditor

February 18, 2026



65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Board of Education:

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Napoleon Area City School District, Henry County, Ohio's (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Napoleon Area City School District's major federal programs for the year ended June 30, 2025. Napoleon Area City School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Napoleon Area City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

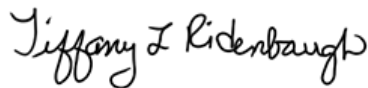
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KEITH FABER  
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM  
Chief Deputy Auditor

February 18, 2026

**This page intentionally left blank.**

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2025**

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

|                     |                                                                                                                       |                                                      |
|---------------------|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>                                                                            | Unmodified                                           |
| <b>(d)(1)(ii)</b>   | <b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>      | No                                                   |
| <b>(d)(1)(iii)</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>                        | Yes                                                  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material weaknesses in internal control reported for major federal programs?</b>                    | No                                                   |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No                                                   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>                                                                     | Unmodified                                           |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>                                                    | No                                                   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>                                                                                         | Child Nutrition Cluster<br>Special Education Cluster |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A\B Programs</b>                                                                            | Type A: > \$ 750,000<br>Type B: all others           |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee under 2 CFR § 200.520?</b>                                                                        | No                                                   |

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

**FINDING NUMBER 2025-001**

**Noncompliance**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Admin. Code 117-2-03(B)** requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

**Officials' Response:**

See Corrective Action Plan

|                                       |
|---------------------------------------|
| <b>3. FINDINGS FOR FEDERAL AWARDS</b> |
|---------------------------------------|

None

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR § 200.511(b)**  
**JUNE 30, 2025**

| Finding Number | Finding Summary                                                                                                                                                                   | Status                                                         | Additional Information                                                                                                                                                                                                                                                                 |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2024-001       | This finding was first reported in 2018. Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles. | Not corrected and reissued as Finding 2025-001 in this report. | This finding reoccurred since management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more efficient. The District will continue to report on an OCBOA (Other Comprehensive Basis of Accounting) basis for future audits. |

**BOARD MEMBERS** MARCIA BRUNS ERIKA DAMMAN RYAN CRANDALL TY OTTO MICHAEL WESCHE

**#ALLINAPOLEON**



NAPOLEONAREASCHOOLS.ORG  
 @NAPOLEONAREASCHOOLS  
 @NAPOLEONSCHOOLS  
 @NAPOLEONAREASCHOOLS

**CORRECTIVE ACTION PLAN**

**2 CFR § 200.511(c)**

**JUNE 30, 2025**

**Finding Number:**

2025-001

**Planned Corrective Action:**

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient. The District will continue to report on an OCBOA (Other Comprehensive Basis of Accounting) basis for future audits.

**Anticipated Completion Date:**

N/A

**Responsible Contact Person:**

Michael Bostelman, Treasurer/CFO



# OHIO AUDITOR OF STATE KEITH FABER



**NAPOLEON AREA CITY SCHOOL DISTRICT**

**HENRY COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/3/2026**

65 East State Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)