



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2009**



**Mary Taylor, CPA**  
Auditor of State



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal award receipts and expenditures provides additional information and is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the basic financial statements. We subjected the schedule of federal award receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 19, 2010

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited**

The discussion and analysis of the financial performance of Napoleon Area City School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2009 are as follows:

The District retired \$395,000 in general obligation bonds from amounts accumulated in the Bond Retirement Fund.

In total, net assets decreased \$294,693.

General revenues accounted for \$20,432,089, or 83 percent of all revenues, and reflect the District's significant dependence on property taxes and unrestricted state entitlements. Program specific revenues in the form of charges for services and sales, and operating grants, and contributions accounted for \$4,052,222 or 17 percent of total revenues of \$24,484,311.

The District's major fund is the General Fund. The General Fund had \$21,488,895 in revenues and other financing sources and \$20,764,865 in expenditures and other financing uses. The General Fund's fund balance increased \$724,130 from the prior fiscal year.

The District reached a final settlement with the Ohio EPA related to a prior year questioned cost where they agreed to repay a long term obligation of \$1,238,545.

**Using the Basic Financial Statements**

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

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

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

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2009. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited  
(Continued)**

Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

**Reporting the District's Most Significant Funds**

Fund Financial Statements

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

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

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

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2009 compared to fiscal year 2008.

**Table 1  
Net Assets  
Governmental Activities**

	2009	2008
<b><u>Assets</u></b>		
Current and Other Assets	\$25,474,215	\$22,700,001
Capital Assets, Net	9,936,028	9,788,692
Total Assets	35,410,243	32,488,693
<b><u>Liabilities</u></b>		
Current and Other Liabilities	14,730,901	12,562,738
Long-Term Liabilities	9,038,689	7,990,609
Total Liabilities	23,769,590	20,553,347
<b><u>Net Assets</u></b>		
Invested in Capital Assets, Net of Related Debt	3,605,484	3,363,491
Restricted	1,037,609	1,677,845
Unrestricted	6,997,560	6,894,010
Total	\$11,640,653	\$11,935,346



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited  
(Continued)**

Total assets increased by \$2,921,550 (9 percent). This is mainly due to an increase in cash and payments in Lieu of Taxes Receivable. Total liabilities increased by \$3,216,243 (15.6 percent). This is due to an increase in current and long-term debt. Total net assets increased by \$943,852 due to the effect of the continuing operating levy passed in 2008.

Table 2 reflects the changes in net assets for fiscal year 2009 compared to fiscal year 2008.

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

	<u>2009</u>	<u>2008</u>
<b><u>Revenues</u></b>		
Program Revenues:		
Charges for Services and Sales	\$1,522,157	\$1,701,166
Operating Grants, Contributions and Interest	2,530,065	2,577,561
Total Program Revenues	<u>4,052,222</u>	<u>4,278,727</u>
General Revenues:		
Property Taxes	8,716,035	9,634,847
Grants and Entitlements	11,291,159	9,409,688
Interest	287,212	469,612
Gifts and Donations	33,275	30,279
Miscellaneous	104,408	57,272
Asbestos Litigation Settlement		39,852
Total General Revenues	<u>20,432,089</u>	<u>19,641,550</u>
Total Revenues	<u>24,484,311</u>	<u>23,920,277</u>
<b><u>Program Expenses</u></b>		
Instruction	14,989,335	13,998,392
Support Services:		
Pupils	1,054,983	1,075,818
Instructional Staff	348,848	332,219
Board of Education	40,052	17,780
Administration	1,740,369	1,639,079
Fiscal	652,231	656,340
Operation and Maintenance of Plant	2,925,556	1,639,992
Pupil Transportation	609,629	1,083,377
Central	405,318	512,452
Non-Instructional	891,855	907,731
Extracurricular Activities	780,005	856,371
Interest and Fiscal Charges	340,823	349,804
Total Expenses	<u>24,779,004</u>	<u>23,069,355</u>
Change in Net Assets	<u>(\$294,693)</u>	<u>\$850,922</u>

Total revenues increased by \$564,034 (2.4 percent) due to the increase in grants and entitlements.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited  
(Continued)**

Program revenues account for 17 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees, extracurricular activities, and food service sales.

Total expenditures increased by \$1,709,649 (7 percent). This is primarily due to the recognition of an expense dealing with the final settlement of an outstanding obligation with Ohio EPA.

The major program expenses for governmental activities are for instruction, which accounts for 60 percent of all governmental expenses. Other programs, which support the instruction process, including pupils, instructional staff and pupil transportation, account for 8 percent of governmental expenses. Therefore, over 68 percent of the District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

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

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
Instruction	\$14,989,335	\$12,482,379	\$13,998,392	\$11,240,651
Support Services:				
Pupils	1,054,983	819,959	1,075,818	799,762
Instructional Staff	348,848	342,409	332,219	323,602
Board of Education	40,052	40,052	17,780	17,780
Administration	1,740,369	1,734,499	1,639,079	1,631,785
Fiscal	652,231	652,231	656,340	656,340
Operation and Maintenance of Plant	2,925,556	2,917,716	1,639,992	1,631,334
Pupil Transportation	609,629	527,328	1,083,377	1,021,328
Central	405,318	390,318	512,452	497,452
Non-Instructional	891,855	(8,761)	907,731	100,578
Extracurricular Activities	780,005	487,829	856,371	520,212
Interest and Fiscal Charges	340,823	340,823	349,804	349,804
Total Expenses	<u>\$24,779,004</u>	<u>\$20,726,782</u>	<u>\$23,069,355</u>	<u>\$18,790,628</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 83 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 84 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major government fund is the General Fund. General Fund revenues increased by 5 percent this was due to an increase in intergovernmental revenues. General Fund expenditures increased by 6 percent. The General Fund

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited  
(Continued)**

balance increased by \$724,130 in 2009 due primarily to the District's levy.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2009, the District amended its General Fund budget as needed.

General Fund final and original budgeted revenues and other financing sources were \$21,301,233 and \$20,196,500, an increase of \$1,104,733 (5 percent). The increase was primarily due to higher than anticipated intergovernmental revenue. Actual revenues and other financing sources were \$21,303,907. This represents an increase of \$2,674 from the final budget (less than 1 percent).

General Fund original appropriations (appropriated expenditures plus other financing uses) of \$21,189,478 were increased to \$21,424,831 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$20,777,609, which was \$647,222 (3 percent) less than the final budget appropriations. The District over appropriates in case significant, unexpected expenditures arise during the fiscal year, or as the District's reserves dwindle.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2009, the District had \$9,936,028 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of less than 2 percent from the beginning of the year.

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

**Debt**

At June 30, 2009, the District's long term obligations, which include general obligation bonds, EPA asbestos abatement project, energy conservation and non-interest bearing notes and compensated absences, were \$9,038,689, up 13 percent from the end of fiscal year 2008.

At June 30, 2009, the District's overall legal debt margin was \$21,106,064 with an unvoted debt margin of \$272,325.

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

**Current Issues**

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

The District is a rural community experiencing little growth. Our enrollment continues to decline. The size of the District makes open enrollment a concern. Each year the District loses approximately \$800,000 to open enrollment.

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited  
(Continued)**

**Contacting the District's Financial Management**

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Net Assets  
June 30, 2009**

		<u><b>Governmental Activities</b></u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$	11,523,270
Materials and Supplies Inventory		167,941
Accrued Interest Receivable		10,259
Accounts Receivable		622
Intergovernmental Receivable		132,400
Taxes Receivable		12,706,303
Revenue in Lieu of Taxes Receivable		773,396
Unamortized Bond Costs		160,024
Non-Depreciable Capital Assets		254,016
Depreciable Capital Assets, net		<u>9,682,012</u>
Total Assets		<u><u>35,410,243</u></u>
<b>Liabilities</b>		
Accounts Payable		197,435
Accrued Wages and Benefits		1,998,704
Intergovernmental Payable		433,038
Accrued Interest Payable		20,336
Matured Compensated Absences Payable		63,555
Deferred Revenue		12,017,833
Long-Term Liabilities:		
Due Within One Year		964,131
Due in More Than One Year		<u>8,074,558</u>
Total Liabilities		<u><u>23,769,590</u></u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt		3,605,484
Restricted for Capital Outlay		745,002
Restricted for Other Purposes		292,607
Unrestricted		<u>6,997,560</u>
Total Net Assets	\$	<u><u>11,640,653</u></u>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2009**

		<b>Program Revenues</b>		<b>Net(Expense) Revenue and Changes in Net Assets</b>
		<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Expenses</b>				
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 8,792,495	\$ 720,449	\$ 217,034	\$ (7,855,012)
Special	4,399,108		1,524,489	(2,874,619)
Vocational	238,638		44,984	(193,654)
Other	1,559,094			(1,559,094)
Support Services:				
Pupils	1,054,983		235,024	(819,959)
Instructional Staff	348,848		6,439	(342,409)
Board of Education	40,052			(40,052)
Administration	1,740,369		5,870	(1,734,499)
Fiscal	652,231			(652,231)
Operation and Maintenance of Plant	2,925,556	7,840		(2,917,716)
Pupil Transportation	609,629		82,301	(527,328)
Central	405,318		15,000	(390,318)
Operation of Non-Instructional Services	891,855	501,692	398,924	8,761
Extracurricular Activities	780,005	292,176		(487,829)
Interest and Fiscal Charges	340,823			(340,823)
<b>Totals</b>	<b>\$ 24,779,004</b>	<b>\$ 1,522,157</b>	<b>\$ 2,530,065</b>	<b>(20,726,782)</b>
<b>General Revenues:</b>				
<b>Taxes:</b>				
Property Taxes, Levied for General Purposes				7,820,838
Property Taxes, Levied for Capital Outlay				378,384
Property Taxes, Levied for Debt Service				516,813
Grants and Entitlements not Restricted to Specific Programs				11,291,159
Gifts and Donations				33,275
Investment Earnings				287,212
Miscellaneous				104,408
<b>Total General Revenues</b>				<b>20,432,089</b>
Change in Net Assets				(294,693)
Net Assets Beginning of Year				11,935,346
Net Assets End of Year				<b>\$ 11,640,653</b>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2009**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 8,837,882	\$ 2,634,051	\$ 11,471,933
Materials and Supplies Inventory	129,944	37,997	167,941
Accrued Interest Receivable	10,259		10,259
Accounts Receivable		622	622
Interfund Receivable	674,139		674,139
Intergovernmental Receivable		132,400	132,400
Taxes Receivable	11,558,343	1,147,960	12,706,303
Revenue in Lieu of Taxes Receivable	734,726	38,670	773,396
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	51,337		51,337
<b>Total Assets</b>	<b>21,996,630</b>	<b>3,991,700</b>	<b>25,988,330</b>
<b>Liabilities</b>			
Accounts Payable	98,019	99,416	197,435
Accrued Wages and Benefits	1,845,239	153,465	1,998,704
Interfund Payable		674,139	674,139
Intergovernmental Payable	401,854	31,184	433,038
Matured Compensated Absences Payable	41,951	21,604	63,555
Deferred Revenue	11,841,138	1,182,656	13,023,794
<b>Total Liabilities</b>	<b>14,228,201</b>	<b>2,162,464</b>	<b>16,390,665</b>
<b>Fund Balances</b>			
Reserved for Encumbrances	372,294	91,591	463,885
Reserved for Inventory	129,944	37,997	167,941
Reserved for Advances	674,139		674,139
Reserved for Property Taxes	451,931	54,238	506,169
Reserved for Budget Stabilization	51,337		51,337
Unreserved, Designated:			
Designated for Budget Stabilization	200,815		200,815
Unreserved, Undesignated, Reported in:			
General Fund	5,887,969		5,887,969
Special Revenue Funds		159,788	159,788
Debt Service Funds		858,340	858,340
Capital Projects Funds		627,282	627,282
<b>Total Fund Balances</b>	<b>7,768,429</b>	<b>1,829,236</b>	<b>9,597,665</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,996,630</b>	<b>\$ 3,991,700</b>	<b>\$ 25,988,330</b>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2009**

Total Governmental Fund Balances	\$	9,597,665
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.</p>		9,936,028
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Revenue in Lieu of Taxes Receivable	773,396	
Intergovernmental Receivable	50,264	
Taxes Receivable	182,301	
		1,005,961
Unamortized Bond Costs		160,024
<p>Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:</p>		
Accrued Interest Payable	(20,336)	
Capital Leases Payable	(488,694)	
Long Term Debt Payable	(7,240,419)	
Compensated Absences Payable	(1,309,576)	
		(9,059,025)
Net Assets of Governmental Activities	\$	11,640,653

See Accompanying Notes to the Basic Financial Statements



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2009**

	<b>General Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Property and Other Local Taxes	\$ 7,888,964	\$ 894,386	\$ 8,783,350
Intergovernmental	11,870,546	1,929,743	13,800,289
Interest	265,020	22,192	287,212
Tuition and Fees	636,073	84,376	720,449
Rent	3,840	4,000	7,840
Extracurricular Activities		286,904	286,904
Gifts and Donations		33,275	33,275
Customer Sales and Services	55,335	451,629	506,964
Revenue in Lieu of Taxes	222,800	11,726	234,526
Miscellaneous	22,706	18,983	41,689
<b>Total Revenues</b>	<b>20,965,284</b>	<b>3,737,214</b>	<b>24,702,498</b>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	8,277,126	342,389	8,619,515
Special	3,781,785	634,038	4,415,823
Vocational	236,952	854	237,806
Other	1,559,094		1,559,094
Support Services:			
Pupils	697,118	380,190	1,077,308
Instructional Staff	309,148	38,778	347,926
Board of Education	40,052		40,052
Administration	1,692,835	25,031	1,717,866
Fiscal	613,979	42,575	656,554
Operation and Maintenance of Plant	1,506,470	99,485	1,605,955
Pupil Transportation	1,006,698	70,382	1,077,080
Central	360,952	69,994	430,946
Operation of Non-Instructional Services		889,196	889,196
Extracurricular Activities	407,357	314,707	722,064
Capital Outlay	24,999	5,792	30,791
Debt Service:			
Principal		716,511	716,511
Interest		224,638	224,638
<b>Total Expenditures</b>	<b>20,514,565</b>	<b>3,854,560</b>	<b>24,369,125</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>450,719</b>	<b>(117,346)</b>	<b>333,373</b>
<b>Other Financing Sources and (Uses)</b>			
Note Proceeds	24,999		24,999
Transfers In		250,368	250,368
Proceeds from Sale of Fixed Assets	10,018	52,701	62,719
Inception of Capital Lease	488,694		488,694
Transfers Out	(250,300)	(68)	(250,368)
<b>Total Other Financing Sources and (Uses)</b>	<b>273,411</b>	<b>303,001</b>	<b>576,412</b>
<b>Net Change in Fund Balances</b>	<b>724,130</b>	<b>185,655</b>	<b>909,785</b>
Fund Balance at Beginning of Year	7,044,299	1,643,581	8,687,880
<b>Fund Balance at End of Year</b>	<b>\$ 7,768,429</b>	<b>\$ 1,829,236</b>	<b>\$ 9,597,665</b>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds \$ 909,785

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

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

Capital Outlay - Depreciable Capital Assets	826,494	
Depreciation	<u>(634,656)</u>	
		191,838

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

Loss on Disposal of Capital Assets		(44,502)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Delinquent Property Tax	(67,315)	
Intergovernmental	20,935	
Revenue in Lieu of Taxes	<u>(234,526)</u>	
		(280,906)

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

716,511

Inception of Capital Lease	(488,694)	
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Note Proceeds for Truck Acquired	<u>(24,999)</u>	
		(513,693)

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

EPA Asbestos Settlement	(1,238,545)	
Interest and Fiscal Charges	(116,185)	
Compensated Absences Payable	<u>81,004</u>	
		<u>(1,273,726)</u>

Change in Net Assets of Governmental Activities		\$ <u><u>(294,693)</u></u>
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See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Property and Other Local Taxes	\$ 7,922,000	\$ 8,019,909	\$ 8,019,909	
Intergovernmental	10,749,000	11,870,546	11,870,546	
Interest	295,000	302,200	304,085	1,885
Tuition and Fees	708,500	636,073	636,073	
Rent	4,000	3,330	3,840	510
Customer Sales and Services	57,000	55,335	55,335	
Payments in Lieu of Taxes	435,000	223,000	222,800	(200)
Miscellaneous	20,500	19,459	19,938	479
<b>Total Revenues</b>	<u>20,191,000</u>	<u>21,129,852</u>	<u>21,132,526</u>	<u>2,674</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,898,336	7,894,898	7,823,649	71,249
Special	3,988,364	4,020,068	3,974,397	45,671
Vocational	258,060	270,703	243,903	26,800
Other	1,709,000	1,656,828	1,572,094	84,734
Support Services:				
Pupils	768,750	762,289	689,049	73,240
Instructional Staff	354,253	349,592	317,756	31,836
Board of Education	46,147	46,147	39,564	6,583
Administration	1,707,161	1,782,670	1,736,450	46,220
Fiscal	648,367	652,239	607,882	44,357
Operation and Maintenance of Plant	1,628,778	1,656,223	1,590,758	65,465
Pupil Transportation	1,134,780	1,105,620	997,038	108,582
Central	375,172	388,344	360,355	27,989
Extracurricular Activities	427,310	429,210	415,819	13,391
<b>Total Expenditures</b>	<u>20,944,478</u>	<u>21,014,831</u>	<u>20,368,714</u>	<u>646,117</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(753,478)</u>	<u>115,021</u>	<u>763,812</u>	<u>648,791</u>
<b>Other Financing Sources and (Uses)</b>				
Proceeds from Sale of Fixed Assets	500	10,018	10,018	
Refund of Prior Year Expenditures	5,000	2,768	2,768	
Transfers In		158,595	158,595	
Transfers Out	(244,000)	(409,000)	(408,895)	105
Refund of Prior Year Receipts	(1,000)	(1,000)		1,000
<b>Total Other Financing Sources and (Uses)</b>	<u>(239,500)</u>	<u>(238,619)</u>	<u>(237,514)</u>	<u>1,105</u>
<b>Net Change in Fund Balances</b>	<u>(992,978)</u>	<u>(123,598)</u>	<u>526,298</u>	<u>649,896</u>
Fund Balance at Beginning of Year	7,372,702	7,372,702	7,372,702	
Prior Year Encumbrances Appropriated	562,268	562,268	562,268	
<b>Fund Balance at End of Year</b>	<u>\$ 6,941,992</u>	<u>\$ 7,811,372</u>	<u>\$ 8,461,268</u>	<u>\$ 649,896</u>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2009**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>21,605</u>	\$ <u>82,623</u>
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies	<u>                    </u>	<u>82,623</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	\$ <u><u>21,605</u></u>	<u><u>                    </u></u>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2009**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Gifts and Contributions	\$ 18,070
Interest	<u>166</u>
Total Additions	<u>18,236</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>23,500</u>
Change in Net Assets	(5,264)
Net Assets Beginning of Year	<u>26,869</u>
Net Assets End of Year	<u>\$ 21,605</u>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The District is the 230<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 83 classified employees and 158 certified teaching personnel, who provide services to 2,144 students and other community members. The Board of Education oversees the operations of the District's five instructional and support facilities.

**The Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units. The following organizations are not part of the reporting entity and are excluded from the accompanying financial statements:

Non-Public Schools - Within the city boundaries, non-public schools are operated by religious organizations. Current state legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the District. The accounting for these school operations is reflected as part of the special revenue funds of the District.

The District is associated with nine organizations, which are defined as jointly governed organizations, group purchasing pools or related organizations. These organizations include the Northwest Ohio Computer Association (NWOCA), Northern Buckeye Educational Council, Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., CANWO, NBEC Employee Insurance Benefits Program, the NBEC Workers' Compensation Group Rating Plan, the Schools of Ohio Risk Sharing Authority, and the Napoleon Public Library. Information about these organizations is presented in Notes 16, 17, and 18 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

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

**A. Basis of Presentation**

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

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

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

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

Fiduciary Funds

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

**C. Measurement Focus**

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

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

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

**D. Basis of Accounting**

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



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

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

**E. Budgetary Process**

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

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

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

**F. Pooled Cash and Investments**

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

During fiscal year 2009, the District invested in nonnegotiable certificates of deposit, and STAR Ohio. Investments are reported at cost, except STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$265,020, which includes \$71,555 assigned from other funds.

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

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

**G. Inventory**

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

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

**H. Restricted Assets**

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

**I. Capital Assets**

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

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

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

**J. Interfund Balances**

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

**K. Compensated Absences**

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences." In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 2009.

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

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

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

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

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

**M. Net Assets**

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

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

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

**N. Fund Balance Reserves and Designations**

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

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

**O. Interfund Transactions**

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

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

**P. Estimates**

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

**Q. Pass-Through Grants**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**3. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

<b>Net Change in Fund Balance</b>	
	<b>General</b>
GAAP Basis	\$724,130
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2008, Received In Cash FY 2009	632,200
Accrued FY 2009, Not Yet Received in Cash	(953,652)
Expenditure Accruals:	
Accrued FY 2008, Paid in Cash FY 2009	(2,197,821)
Accrued FY 2009, Not Yet Paid in Cash	2,748,581
Advances Net	
Encumbrances Outstanding at Year End (Budget Basis)	(427,140)
Budget Basis	\$526,298

**4. EQUITY IN POOLED CASH AND EQUIVALENTS**

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

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

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

At year end, the District had \$250 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$8,662,602 of the District's bank balance of \$8,776,985 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2009, the District had \$3,235,849 invested in STAR Ohio.

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

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes for 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by state statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2009 were levied after April 1, 2008, on the assessed values as of December 31, 2007, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.



**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**5. PROPERTY TAXES (Continued)**

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, was reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Henry County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2009 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2009, was \$451,931 in the General Fund, \$32,195 in the Debt Service Fund, and \$22,043 in the Capital Projects Fund. The amount available as an advance at June 30, 2008, was \$582,876 in the General Fund, \$38,069 in the Debt Service Fund, and \$28,689 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	<b>2008 Second- Half Collections</b>		<b>2009 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$202,981,350	77%	\$222,447,230	82%
Industrial/Commercial	41,807,230	16%	45,413,870	17%
Public Utility	3,716,490	1%	3,663,260	1%
Tangible Personal	16,834,680	6%	800,760	0%
Total Assessed Value	<u>\$265,339,750</u>	<u>100%</u>	<u>\$272,325,120</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$56.70		\$56.70	

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**6. RECEIVABLES**

Receivables at June 30, 2009, consisted of property taxes, accounts (rent and student fees), payments in lieu of taxes, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

	<u>Amount</u>
Accounts Receivable:	
All Other Governmental Funds	
Tuition and Fees	\$595
Extracurricular	27
Total All Accounts Receivable	<u>\$622</u>
Revenues in Lieu of Taxes	
Receivables:	
General Fund	\$734,726
Capital Projects Fund	38,670
Total Revenues in Lieu of Taxes Receivable	<u>\$773,396</u>
Intergovernmental Receivables:	
Title I Fund	\$110,387
Drug Free Schools Fund	4,577
Title II-A	17,436
Total Intergovernmental Receivables	<u>\$132,400</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**7. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance at 6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/09</u>
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$254,016			\$254,016
Depreciable Capital Assets				
Land Improvements	2,074,103		\$25,761	2,048,342
Buildings and Building Improvements	14,745,225		3,048	14,742,177
Furniture, Fixtures, and Equipment	1,751,815	\$231,717	104,527	1,879,005
Vehicles	1,940,779	594,777	417,718	2,117,838
Totals	<u>20,511,922</u>	<u>826,494</u>	<u>551,054</u>	<u>20,787,362</u>
Less Accumulated Depreciation				
Land Improvements	1,263,887	68,372	13,847	1,318,412
Buildings and Building Improvements	7,254,403	383,268	350	7,637,321
Furniture, Fixtures, and Equipment	1,392,112	88,810	75,328	1,405,594
Vehicles	1,066,844	94,206	417,027	744,023
Total Accumulated Depreciation	<u>10,977,246</u>	<u>634,656</u>	<u>506,552</u>	<u>11,105,350</u>
Depreciable Capital Assets, Net	<u>9,534,676</u>	<u>191,838</u>	<u>44,502</u>	<u>9,682,012</u>
Governmental Activities Capital Assets, Net	<u>\$9,788,692</u>	<u>\$191,838</u>	<u>\$44,502</u>	<u>\$9,936,028</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$308,984
Special	465
Support Services:	
Pupils	1,216
Instructional Staff	422
Administration	4,840
Operation and Maintenance of Plant	142,024
Pupil Transportation	108,349
Central	2,280
Operation of Non-Instructional Services	5,025
Extracurricular	61,051
Total Depreciation Expense	<u>\$634,656</u>

**8. INTERFUND ASSETS/LIABILITIES**

As of June 30, 2009, on the fund financial statements, Special Revenue Funds owed the General Fund \$674,139. These amounts are represented as "Interfund Receivable/Payable" on the balance sheet.

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

**9. REVENUE IN LIEU OF TAXES**

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

**10. RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District participates in the Schools of Ohio Risk Sharing Authority, Inc., an insurance purchasing pool, (Note 17) for insurance coverage. Coverages provided are as follows:

Property (building & contents)	\$49,316,620
Automobile Liability	6,000,000
Educators' Legal Liability	6,000,000
Crime Coverage	100,000
General Liability:	
Per Occurrence	6,000,000
General Annual Aggregate	8,000,000

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

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities (Note 17). The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 17). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

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

**11. PENSION AND RETIREMENT PLANS**

**A. School Employee Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$226,156, \$231,501 and \$264,350, respectively; 50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. The unpaid contribution for fiscal year 2009 is \$172,752.

**B. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**11. PENSION AND RETIREMENT PLANS (Continued)**

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,249,890, \$1,304,063, and \$1,250,622, respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. The unpaid contribution for fiscal year 2009 is \$208,904.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**12. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

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

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

**12. POSTEMPLOYMENT BENEFITS (Continued)**

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$103,202, \$105,641, and \$103,463 respectively; 50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$16,295, \$16,680, and \$16,336, respectively; 50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$96,145, \$100,313, and \$96,202, respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

**13. COMPENSATED ABSENCES**

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

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

At June 30, 2009 the current amount of matured compensated absences in all funds was \$63,555. The amount of long-term compensated absences in all funds was \$1,309,576.

**14. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2009, the following changes occurred in obligations reported in the Government-Wide financial statements:

	<b>Balance at 6/30/08</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at 6/30/09</b>	<b>Due Within One Year</b>
1996 General Obligation Bonds	\$724,112	\$114,061		\$838,173	\$311,466
2005 Advance Refunding General Obligation Bonds	2,800,000		\$395,000	2,405,000	50,000
Unamortized Bond Premium	180,728		20,704	160,024	20,704
Tax Anticipation Note	438,779		43,414	395,365	45,394
Energy Conservation Loan 2006	1,863,125		109,173	1,753,952	113,847
EPA Asbestos Settlement Obligation		1,238,545	35,000	1,203,545	77,500
2009 Truck Loan		24,999	2,083	22,916	6,250
EPA Asbestos Loan	593,285		131,841	461,444	131,841
Total Long-Term Debt	<u>6,600,029</u>	<u>1,377,605</u>	<u>737,215</u>	<u>7,240,419</u>	<u>757,002</u>
Capital Leases		488,694		488,694	122,173
Compensated Absences	1,390,580		81,004	1,309,576	84,956
Total Long-Term Obligations	<u>\$7,990,609</u>	<u>\$1,866,299</u>	<u>\$818,219</u>	<u>\$9,038,689</u>	<u>\$964,131</u>

Total expenditures for interest for the above debt for the period ended June 30, 2009 was \$340,823.



**NAPOLEON AREA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
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**14. LONG-TERM OBLIGATIONS (Continued)**

The scheduled payments of principal and interest on debt outstanding at June 30, 2009, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$757,002	\$244,037	\$1,001,039
2011	745,909	273,600	1,019,509
2012	738,009	299,906	1,037,915
2013	821,669	169,308	990,977
2014	804,356	139,763	944,119
2015-2019	3,004,380	271,647	3,276,027
2020-2022	369,093	17,028	386,121
Total	<u>\$7,240,418</u>	<u>\$1,415,289</u>	<u>\$8,655,707</u>

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

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

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2009	\$42,056	\$350,000
2010	36,217	355,000
2011	31,183	360,000

The value of the capital appreciation bonds reported in the Government Entity Wide Statement of Net Assets at June 30, 2009 was \$838,173. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$728,717 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

**Advance Refunding Bonds – 2005**

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

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

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

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

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2009	\$50,000	3.000%
2010	50,000	3.125%
2011	50,000	3.250%
2012	420,000	5.000%
2013	450,000	5.000%
2014	480,000	5.000%
2015	510,000	5.000%
2016	395,000	5.000%

These bonds are not subject to redemption prior to maturity.

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

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

The Permanent Improvement Tax Anticipation note was issued in 2006 for \$500,000. The interest rate on the note is 4.51 percent. The final maturity of this issuance is July 16, 2016.

The EPA Asbestos Settlement Obligation was agreed to by the District and the United States Environmental Protection Agency during 2009 for \$1,238,545. This is a settlement of a questioned cost related to an asbestos abatement project issued by Inspector General of the United States Environment Protection Agency in 2001. This obligation is interest free. A semi-annual payment of \$35,000 is required to be made by the District until November 2018.

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

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

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. For fiscal year 2009, only the unspent portion of certain workers compensation refunds is required to be set-aside at fiscal year end. The balance no longer required by statute for budget stabilization was designated by the District to be used for budget stabilization.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2008	(\$1,076,523)		\$51,337
Current Year Set-aside Requirement	331,230	\$331,230	
Current Year Offsets	(48,495)	(336,955)	
Qualifying Disbursements	<u>(237,869)</u>	<u>(130,519)</u>	
Total	<u>(1,031,657)</u>	<u>(\$136,244)</u>	<u>51,337</u>
Cash Balance Carried Forward to Fiscal Year 2010	<u>(\$1,031,657)</u>		<u>\$51,337</u>

The District had offsets and qualifying disbursements during the year that reduced the textbook and other instructional materials set-aside to below zero, which may be used to reduce the set-aside requirement of future years.

**16. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$3,231. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during this fiscal year were \$98,094. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

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

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city districts; and one representative from each of the exempted village districts. The Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to Four County Career Center during this fiscal year were \$1,208. To obtain financial information write to the Four County Career Center, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**D. CANWO**

The CANWO was established July 1, 1998 to foster cooperation toward joint training and other joint activities of mutual interest among certain educational entities located in Northwest Ohio. CANWO 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 representatives of the member educational entities. CANWO is governed by a management council consisting of a representative appointed from each participating member educational entity.

The Treasurer of the Northern Buckeye Education Council has been designated fiscal agent for CANWO. Financial information can be obtained from Robin Pfund, who serves as Treasurer of the Northern Buckeye Education Council, at 22-900 State Route 34, Archbold, Ohio 43502.

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

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves a twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Total disbursements made by the District to NOERC during this fiscal year were \$300. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**17. GROUP PURCHASING POOLS**

**A. NBEC Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$1,961,523. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$2,304 to the WCGRP to cover the costs of administering the program.

**C. Schools of Ohio Risk Sharing Authority**

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-Profit Corporations and functioning under authority granted by § 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons that might result in claims being made against members of SORSA, their employees or officers. The District paid \$68,734 for these services to SORSA in fiscal year 2009.

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

**18. 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, John Yeager, Clerk/Treasurer, at 310 West Clinton Street, Napoleon, Ohio 43545.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**19. INTERFUND TRANSACTIONS**

During the year ended June 30, 2009, the following transfers in and out occurred:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund		\$250,300
Other Governmental Funds:		
Special Revenue Funds:		
Lunchroom Fund	\$45,000	
Rotary Fund		68
Public School Support Fund	68	
Capital Project Funds:		
Building Fund	185,300	
Totals	\$250,368	\$250,368

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

**20. CONTINGENT LIABILITIES**

**Grants**

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2009.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$49,934	\$49,934
National School Lunch Program	10.555		
Cash assistance		243,455	243,455
Non-cash Assistance (Food Distribution)		101,184	97,866
Total - National School Lunch Program		<u>344,639</u>	<u>341,321</u>
Total U.S. Department of Agriculture		<u><b>394,573</b></u>	<u><b>391,255</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	268,353	272,109
Safe and Drug Free Schools and Communities State Grant	84.186	11,227	11,611
State Grants for Innovative Programs	84.298	1,902	2,191
Education Technology State Grants	84.318	2,955	2,014
Improving Teacher Quality State Grants	84.367	88,842	90,271
Total U.S. Department of Education		<u><b>373,279</b></u>	<u><b>378,196</b></u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<u><u><b>\$767,852</b></u></u>	<u><u><b>\$769,451</b></u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD SERVICE PROGRAMS**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.





# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider finding 2009-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated January 19, 2010.

#### **Compliance and Other Matters**

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

We did note a certain noncompliance matter that we reported to the District's management in a separate letter dated January 19, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

January 19, 2010



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Napoleon Area City School District, Henry County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Napoleon Area City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal program for the year ended June 30, 2009.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



**Mary Taylor, CPA**  
Auditor of State

January 19, 2010

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
June 30, 2009**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster CFDA 10.553 / 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2009-001**

**Material Weakness**

**Monitoring Financial Statements**

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

The 2009 financial statements contained material errors, such as the following:

- Capital assets were understated \$139,671
- Capital assets depreciation was understated \$4,737.
- Governmental Type activities had a negative \$354,362 restricted balance for debt service
- General fund final budget for intergovernmental revenue was understated \$1,104,733

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

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

**Officials' Response**

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

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on April 27, 2007.
2. We read the policy, except as noted, it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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- (5) The policy does not have a requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) The policy does not have a procedure for documenting any prohibited incident that is reported;
- (7) The policy does not have a procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) The policy does not have a disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



**Mary Taylor, CPA**  
Auditor of State

January 19, 2010





**Mary Taylor, CPA**  
Auditor of State

**NAPOLEON AREA CITY SCHOOL DISTRICT**  
**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**FEBRUARY 4, 2010**