



Dave Yost • Auditor of State

**NAPOLEON AREA LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio, as of June 30, 2014, and the respective changes in financial position and, the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 17, 2015

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**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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, 2014. 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 2014 are as follows:

The District retired \$465,000 in general obligation bonds from amounts accumulated in the Bond Retirement Fund.

In total, net position increased \$5,419,665.

General revenues accounted for \$29,231,835, or 86.5 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 \$4,553,309 or 13.5 percent of total revenues of \$33,785,144.

The District's major funds are the General Fund and the State and Local Share Building Fund. The General Fund had \$21,798,785 in revenues and other financing sources and \$20,920,676 in expenditures and other financing uses. The General Fund's fund balance increased \$878,109 from the prior fiscal year. The State and Local Share Building Fund had \$7,211,456 in revenues and \$7,788,366 in expenditures. The State and Local Share Building Fund's fund balance decreased \$576,910 from the prior fiscal year.

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

Using the Basic Financial Statements

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

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

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

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2014 compared to fiscal year 2013.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

**Table 1
Net Position
Governmental Activities**

	2014	2013
<u>Assets</u>		
Current and Other Assets	\$59,771,978	\$58,016,331
Capital Assets, Net	13,060,587	8,380,883
Total Assets	<u>72,832,565</u>	<u>66,397,214</u>
<u>Liabilities</u>		
Current and Other Liabilities	4,767,851	3,041,140
Long-Term Liabilities	37,131,758	37,455,357
Total Liabilities	<u>41,899,609</u>	<u>40,496,497</u>
Deferred Inflows of Resources	<u>10,041,196</u>	<u>10,428,622</u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Related Debt	6,731,069	5,628,945
Restricted	5,496,927	6,053,962
Unrestricted	8,663,764	3,789,188
Total	<u>\$20,891,760</u>	<u>\$15,472,095</u>

Total assets increased by \$6,435,351 (9.7 percent). The increase in total assets was due to construction in progress on the new elementary school and the renovations made to the current high school. Total liabilities increased by \$1,403,112 (3.5 percent). This is primarily due to an increase in contracts payable. Total net position increased by \$5,419,665 (35.0 percent) due to the completed construction in progress of the new elementary school and the renovations made to the current high school. .

Table 2 reflects the changes in net position for fiscal year 2014 compared to fiscal year 2013.

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

	2014	2013
<u>Revenues</u>		
Program Revenues:		
Charges for Services and Sales	\$1,452,989	\$1,510,553
Operating Grants, Contributions and Interest	3,100,320	1,814,502
Total Program Revenues	<u>4,553,309</u>	<u>3,325,055</u>
General Revenues:		
Property Taxes	10,384,948	9,279,523
Payment in Lieu of Taxes	217,832	138,727
Grants and Entitlements	18,306,905	13,249,852
Interest	78,883	180,106
Gifts and Donations	48,735	69,149
Miscellaneous	162,640	71,862
Proceeds from Sale of Capital Assets	31,892	1,528
Total General Revenues	<u>29,231,835</u>	<u>22,990,747</u>
Total Revenues	<u>\$33,785,144</u>	<u>\$26,315,802</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

<u>Program Expenses</u>		
Instruction	16,224,430	13,458,680
Support Services:		
Pupils	1,253,244	1,112,953
Instructional Staff	1,069,804	1,358,703
Board of Education	48,653	48,357
Administration	1,807,655	1,405,515
Fiscal	737,367	633,665
Operation and Maintenance of Plant	2,134,402	2,803,306
Pupil Transportation	1,563,278	1,175,429
Central	224,577	212,257
Non-Instructional	922,479	839,575
Extracurricular Activities	1,041,681	809,500
Interest and Fiscal Charges	1,337,909	1,310,777
Total Expenses	<u>28,365,479</u>	<u>25,168,717</u>
Increase in Net Position	<u>\$5,419,665</u>	<u>\$1,147,085</u>

Total revenues increased by \$7,469,342 (28.4 percent) due to the increase in property taxes and operating grants related to the Ohio School Facilities Commission projects on the new elementary school and renovations made to the current high school.

Program revenues account for 13.5 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 \$3,196,762 (12.7 percent) due largely to the increase in instruction and extracurricular had significant increases from the prior year while instructional staff and operation and maintenance had significant decrease from the prior year. The net result of these changes had some effect on total expenditures. These changes in the types of expenditures were due largely to construction in progress on the new school elementary school and renovations to the current high school.

The major program expenses for governmental activities are for instruction, which accounts for 57.2 percent of all governmental expenses. Instructional programs, which include pupils, instructional staff, operation and maintenance of plant, and pupil transportation, account for 21.2 percent of governmental expenses. Therefore, 78.8 percent of the District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
Instruction	\$16,224,430	\$12,999,514	\$13,458,680	\$11,864,970
Support Services:				
Pupils	1,253,244	1,194,906	1,112,953	1,112,953
Instructional Staff	1,069,804	1,053,196	1,358,703	888,936
Board of Education	48,653	48,653	48,357	48,357
Administration	1,807,655	1,803,962	1,405,515	1,405,033
Fiscal	737,367	728,366	633,665	633,665
Operation and Maintenance of Plant	2,134,402	2,061,351	2,803,306	2,789,471
Pupil Transportation	1,563,278	1,484,312	1,175,429	1,110,466
Central	224,577	224,503	212,257	203,257
Non-Instructional	922,479	177,923	839,575	(22,105)
Extracurricular Activities	1,041,681	697,575	809,500	497,882
Interest and Fiscal Charges	1,337,909	1,337,909	1,310,777	1,310,677
Total Expenses	<u>\$28,365,479</u>	<u>\$23,812,170</u>	<u>\$25,168,717</u>	<u>\$21,843,662</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. 80.1 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 83.9 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major funds are the General Fund and the State and Local Share Building Fund. In fiscal year 2014, total Governmental Funds had revenues and other financing sources of \$35,050,639 and expenditures and other financing uses of \$34,617,325. The overall positive change of \$433,314 was primarily attributable to conservative spending and attrition.

In fiscal year 2014, General Fund revenues increased by 9.8 percent which was primarily due to an increase in property and other local taxes revenues and the inception of a capital lease. General Fund expenditures only increased by 4.8 percent. The General Fund balance increased by \$878,109 (10.5 percent) due to overall receipts and other financing sources increasing by greater than the increase in overall expenditures and other financing uses from 2013.

In fiscal year 2014, the State and Local Share Building Fund revenues decreased by 76.4 percent due to the bond proceeds being received in 2013 to start the construction of the new elementary school and renovations to the current high school. The State and Local Share Building Fund expenditures increased by 867.0 percent due to construction costs related to the projects above. The State and Local Share Building Fund balance decreased by \$576,910 (1.9 percent) due to the construction costs of the projects above exceeding the monies received from the Ohio School Facilities Commission.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2014, the District amended its General Fund budget as needed.

General Fund final and original budgeted revenues and other financing sources were \$21,180,249 and \$19,971,090, an increase of \$1,209,159 (6.1 percent). This increase is primarily due to increasing anticipated grant revenue. Actual revenues and other financing sources were \$21,180,103. This represents a decrease of \$146 (less than 1 percent) from the final budget.

General Fund original appropriations (appropriated expenditures plus other financing uses) of \$22,199,568 were increased to \$22,324,999 in the final budget (for a variance of less than 1 percent). The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$20,752,273, which was \$1,572,726 (7.0 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 2014, the District had \$13,060,587 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of 55.8 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, 2014, the District's long term obligations, which include general obligation bonds, EPA asbestos abatement project, energy conservation loan, capital leases, and compensated absences, were \$37,131,758, down 0.9 percent from the end of fiscal year 2013.

At June 30, 2014, the District's overall legal debt margin was (\$6,442,750) with an unvoted debt margin of \$285,858.

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

Current Issues

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

The District is a rural community experiencing little growth. Enrollment is expected to be relatively stable. The size of the District makes open enrollment a concern.

District voters approved a \$31.5 million dollar bond issue in March 2013 which will be used to construct a new elementary school and make renovations to the current high school.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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.

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**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

		Governmental Activities
Assets		
Equity in Pooled Cash and Cash Equivalents	\$	27,251,067
Investments		19,682,167
Materials and Supplies Inventory		103,164
Accrued Interest Receivable		36,847
Accounts Receivable		2,952
Intergovernmental Receivable		284,176
Taxes Receivable		12,193,773
Revenue in Lieu of Taxes Receivable		217,832
Non-Depreciable Capital Assets		4,488,721
Depreciable Capital Assets, net		8,571,866
Total Assets		72,832,565
Liabilities		
Accounts Payable		284,323
Accrued Wages and Benefits		2,032,126
Contracts Payable		1,823,670
Intergovernmental Payable		470,835
Accrued Interest Payable		113,513
Matured Compensated Absences Payable		43,384
Long-Term Liabilities:		
Due Within One Year		1,163,730
Due in More Than One Year		35,968,028
Total Liabilities		41,899,609
Deferred Inflows of Resources:		
Property Taxes Levied for the Next Fiscal Year		10,041,196
Net Position		
Net Investment in Capital Assets		6,731,069
Restricted for Debt Service		1,703,498
Restricted for Capital Outlay		2,568,530
Restricted for Other Purposes		1,224,899
Unrestricted		8,663,764
Total Net Position	\$	20,891,760

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, 2014**

		Program Revenues			Net(Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities		
Governmental Activities					
Instruction:					
Regular	\$ 9,650,603	\$ 536,777	\$ 252,156	\$	(8,861,670)
Special	4,718,619	302,208	2,118,453		(2,297,958)
Vocational	214,967		15,322		(199,645)
Other	1,640,241				(1,640,241)
Support Services:					
Pupils	1,253,244		58,338		(1,194,906)
Instructional Staff	1,069,804		16,608		(1,053,196)
Board of Education	48,653				(48,653)
Administration	1,807,655		3,693		(1,803,962)
Fiscal	737,367		9,001		(728,366)
Operation and Maintenance of Plant	2,134,402	2,515	70,536		(2,061,351)
Pupil Transportation	1,563,278		78,966		(1,484,312)
Central	224,577		74		(224,503)
Operation of Non-Instructional Services	922,479	267,383	477,173		(177,923)
Extracurricular Activities	1,041,681	344,106			(697,575)
Interest and Fiscal Charges	1,337,909				(1,337,909)
Totals	\$ 28,365,479	\$ 1,452,989	\$ 3,100,320	\$	(23,812,170)
 General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					8,230,707
Property Taxes, Levied for Capital Outlay					365,931
Property Taxes, Levied for Debt Service					1,788,310
Payments in Lieu of Taxes					217,832
Grants and Entitlements not Restricted to Specific Programs					18,306,905
Gifts and Donations					48,735
Investment Earnings					78,883
Miscellaneous					162,640
Proceeds from Sale of Capital Assets					31,892
Total General Revenues					29,231,835
Change in Net Position					5,419,665
Net Position Beginning of Year					15,472,095
Net Position End of Year				\$	20,891,760

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	State and Local Share Building Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 5,186,634	\$ 17,606,789	\$ 4,406,307	\$ 27,199,730
Investments	4,830,854	13,366,181	1,485,132	19,682,167
Materials and Supplies Inventory	97,610		5,554	103,164
Accrued Interest Receivable	970	32,197	3,680	36,847
Accounts Receivable	2,952			2,952
Interfund Receivable	110,000			110,000
Intergovernmental Receivable			284,176	284,176
Taxes Receivable	10,089,159		2,104,614	12,193,773
Revenue in Lieu of Taxes Receivable	209,642		8,190	217,832
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	51,337			51,337
Total Assets	\$ 20,579,158	\$ 31,005,167	\$ 8,297,653	\$ 59,881,978
Liabilities				
Accounts Payable	103,067	9,730	171,526	284,323
Accrued Wages and Benefits	1,882,286		149,840	2,032,126
Contracts Payable	6,915	1,794,303	22,452	1,823,670
Interfund Payable			110,000	110,000
Intergovernmental Payable	441,478		29,357	470,835
Matured Compensated Absences Payable	43,384			43,384
Total Liabilities	2,477,130	1,804,033	483,175	4,764,338
Deferred Inflow of Resources				
Property Levied for the Next Fiscal Year	8,891,785		1,772,236	10,664,021
Delinquent Property Tax Revenue Not Available			143,381	143,381
Total Deferred Inflows of Resources	8,891,785		1,915,617	10,807,402
Total Liabilities and Deferred Inflows of Resources	11,368,915	1,804,033	2,398,792	15,571,740
Fund Balances				
Nonspendable	97,610		5,554	103,164
Restricted		29,201,134	5,954,858	35,155,992
Committed				
Assigned	386,555			386,555
Unassigned	8,726,078		(61,551)	8,664,527
Total Fund Balances	9,210,243	29,201,134	5,898,861	44,310,238
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 20,579,158	\$ 31,005,167	\$ 8,297,653	\$ 59,881,978

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

Total Governmental Fund Balances	\$	44,310,238
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Amounts reported for governmental activities on the statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		13,060,587
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Revenue in Lieu of Taxes Receivable	\$	217,832	
Intergovernmental Receivable		143,381	
Taxes Receivable		<u>404,993</u>	
			766,206

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

Accrued Interest Payable		(113,513)	
Capital Leases Payable		(746,089)	
General Obligation Bonds Payable		(35,263,791)	
Compensated Absences Payable		<u>(1,121,878)</u>	
			<u>(37,245,271)</u>

Net Position of Governmental Activities	\$	<u><u>20,891,760</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 BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>State and Local Share Building Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property and Other Local Taxes	\$ 8,165,774	\$	\$ 2,144,244	\$ 10,310,018
Intergovernmental	11,966,377	7,173,722	2,370,261	21,510,360
Interest	19,787	37,734	21,362	78,883
Tuition and Fees	838,985			838,985
Rent	2,515			2,515
Extracurricular Activities	79,742		245,965	325,707
Gifts and Donations	12,878		35,857	48,735
Customer Sales and Services	62,356		262,451	324,807
Payments in Lieu of Taxes	198,589		10,452	209,041
Miscellaneous	88,837		34,778	123,615
Total Revenues	<u>21,435,840</u>	<u>7,211,456</u>	<u>5,125,370</u>	<u>33,772,666</u>
Expenditures				
Current:				
Instruction:				
Regular	7,810,030		316,481	8,126,511
Special	2,985,687		1,059,359	4,045,046
Vocational	182,807			182,807
Other	1,640,241			1,640,241
Support Services:				
Pupils	1,030,118		55,061	1,085,179
Instructional Staff	916,680		31,318	947,998
Board of Education	48,653			48,653
Administration	1,323,795		5,317	1,329,112
Fiscal	558,377		75,245	633,622
Operation and Maintenance of Plant	1,632,863		100,575	1,733,438
Pupil Transportation	1,032,689		708,701	1,741,390
Central	107,089		43,439	150,528
Operation of Non-Instructional Services				
Extracurricular Activities	505,305		303,858	809,163
Capital Outlay	801,525	7,788,366	11,048	8,600,939
Debt Service:				
Principal	120,163		881,163	1,001,326
Interest	4,316		1,391,695	1,396,011
Total Expenditures	<u>20,700,338</u>	<u>7,788,366</u>	<u>5,771,425</u>	<u>34,260,129</u>
Excess of Revenues Over (Under) Expenditures	<u>735,502</u>	<u>(576,910)</u>	<u>(646,055)</u>	<u>(487,463)</u>
Other Financing Sources and (Uses)				
Transfers In			357,196	357,196
Proceeds from Sale of Capital Assets	3,892		28,000	31,892
Inception of Capital Lease	359,053		529,832	888,885
Transfers Out	(220,338)		(136,858)	(357,196)
Total Other Financing Sources and Uses	<u>142,607</u>		<u>778,170</u>	<u>920,777</u>
Net Change in Fund Balances	878,109	(576,910)	132,115	433,314
Fund Balances at Beginning of Year	8,332,134	29,778,044	5,766,746	43,876,924
Fund Balances at End of Year	<u>\$ 9,210,243</u>	<u>\$ 29,201,134</u>	<u>\$ 5,898,861</u>	<u>\$ 44,310,238</u>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Funds	\$	433,314
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.</p>		
Capital Outlay - Depreciable Capital Assets	\$ 5,496,005	
Depreciation	<u>(809,508)</u>	4,686,497
<p>The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of Net Position and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.</p>		
Loss on Disposal of Capital Assets		(6,793)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Delinquent Property Tax	74,930	
Intergovernmental	(103,135)	
Payment in Lieu of Taxes	<u>8,791</u>	(19,414)
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.</p>		
		744,863
<p>Payments on Capital Lease</p>		
		256,463
<p>Inception of Capital Lease</p>		
		(888,885)
<p>Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position.</p>		
Accrued Interest Payable	<u>58,102</u>	58,102
<p>Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>		
Compensated Absences Payable		155,518
Change in Net Position of Governmental Activities	\$	<u><u>5,419,665</u></u>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property and Other Local Taxes	\$ 7,545,000	\$ 7,979,754	\$ 7,979,754	
Intergovernmental	11,172,000	11,966,377	11,966,377	
Interest	40,000	21,538	21,367	\$ (171)
Tuition and Fees	807,500	789,755	789,755	
Rent	5,000	2,275	2,515	240
Gifts and Donations	690	8,621	8,621	
Customer Sales and Services	61,900	62,356	62,356	
Payments in Lieu of Taxes	210,000	198,589	198,589	
Miscellaneous	23,500	27,216	27,001	(215)
Total Revenues	<u>19,865,590</u>	<u>21,056,481</u>	<u>21,056,335</u>	<u>(146)</u>
Expenditures				
Current:				
Instruction:				
Regular	8,278,885	8,219,164	7,853,481	365,683
Special	3,215,225	3,359,605	2,967,233	392,372
Vocational	218,445	222,868	193,699	29,169
Other	1,520,000	1,559,373	1,559,029	344
Support Services:				
Pupils	1,335,283	1,339,674	1,059,525	280,149
Instructional Staff	686,655	690,148	687,886	2,262
Board of Education	55,175	56,975	48,699	8,276
Administration	1,671,453	1,643,130	1,392,430	250,700
Fiscal	618,990	608,698	556,322	52,376
Operation and Maintenance of Plant	1,805,818	1,770,350	1,669,935	100,415
Pupil Transportation	1,067,241	1,059,091	1,044,509	14,582
Central	138,765	139,172	112,419	26,753
Extracurricular Activities	420,000	425,130	411,147	13,983
Capital Outlay	921,633	985,621	975,621	10,000
Total Expenditures	<u>21,953,568</u>	<u>22,078,999</u>	<u>20,531,935</u>	<u>1,547,064</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,087,978)</u>	<u>(1,022,518)</u>	<u>524,400</u>	<u>1,546,918</u>
Other Financing Sources and (Uses)				
Advances In	55,000	62,000	62,000	
Proceeds from Sale of Capital Assets	2,500	3,892	3,892	
Refund of Prior Year Expenditures	48,000	57,876	57,876	
Transfers Out	(240,000)	(240,000)	(220,338)	19,662
Advances Out	(5,000)	(5,000)		5,000
Refund of Prior Year Receipts	(1,000)	(1,000)		1,000
Total Other Financing Sources and Uses	<u>(140,500)</u>	<u>(122,232)</u>	<u>(96,570)</u>	<u>25,662</u>
Net Change in Fund Balance	(2,228,478)	(1,144,750)	427,830	1,572,580
Fund Balance at Beginning of Year	9,082,678	9,082,678	9,082,678	
Prior Year Encumbrances Appropriated	161,232	161,232	161,232	
Fund Balance at End of Year	<u>\$ 7,015,432</u>	<u>\$ 8,099,160</u>	<u>\$ 9,671,740</u>	<u>\$ 1,572,580</u>

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>17,990</u>	\$ <u>161,295</u>
Liabilities		
Current Liabilities:		
Undistributed Monies		\$ <u>161,295</u>
Net Position		
Held in Trust for Scholarships	\$ <u>17,990</u>	

See Accompanying Notes to the Basic Financial Statements

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust</u>
Additions	
Gifts and Contributions	\$ <u>15,470</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>18,699</u>
Change in Net Position	(3,229)
Net Position Beginning of Year	<u>21,219</u>
Net Position End of Year	\$ <u><u>17,990</u></u>

See Accompanying Notes to the Basic Financial Statements

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**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 234th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 82 classified employees and 139 certified teaching personnel, who provide services to 2,108 students and other community members. The Board of Education oversees the operations of the District's five instructional and support facilities.

The Reporting Entity

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

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

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

The District is associated with nine organizations, which are defined as jointly governed organizations, group purchasing pools or related organizations. These organizations include the Northwest Ohio Computer Association (NWOCA), Northern Buckeye Educational Council, Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Educational Regional Service System, Northern Buckeye Health Plan Northwest Division of Optimal Health Initiative Consortium, Northern Buckeye Health Plan Workers' Compensation Group Rating Plan, the Schools of Ohio risk Sharing Authority, and the Napoleon Public Library. Information about these organizations is presented in Notes 17, 18, and 19 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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 State and Local Share Building Fund - The State and Local Share Building Fund is used to account for revenues and expenditures related to the construction of new school buildings.

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

Fiduciary Funds

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

C. Measurement Focus

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as a deferred inflow. Special assessments and sales taxes not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as a deferred inflow in the governmental funds. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflow.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expenditures/Expenses

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

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

E. Budgetary Process

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

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

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

F. Pooled Cash and Investments

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

During fiscal year 2014, the District invested in federal agency securities, negotiable certificates of deposit, nonnegotiable certificates of deposit, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, 2014.

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 2014 amounted to \$19,787, which includes \$3,673 assigned from other funds.

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

G. Inventory

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

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

H. Restricted Assets

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

I. Capital Assets

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

J. Interfund Balances

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

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, 2014.

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.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Bond Cost and Premiums

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

N. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be in this component of net position. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

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

O. Fund Balance

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

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

P. Interfund Transactions

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

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

Q. Estimates

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2014.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
	General
GAAP Basis	\$878,109
Net Adjustment for Revenue Accruals	(244,237)
Net Adjustment for Expenditure Accruals	334,258
Net Adjustment for Other Sources/Uses	(239,177)
Encumbrances Outstanding at Year End (Budget Basis)	(299,725)
Perspective difference for Cash Reporting Purposes	
Activity of Funds Reclassified	(1,398)
Budget Basis	\$427,830

4. EQUITY IN POOLED CASH AND EQUIVALENTS

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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

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

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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

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

Deposits

At June 30, 2014, the carrying amount of all District deposits was \$27,430,052. 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, \$13,233,455 of the District's bank balance of \$27,760,205 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, 2014, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturing in Less than One year</u>	<u>Maturing in One to Two Years</u>
Federal Farm Credit Bank Notes	\$726,675	\$726,675	
Federal Home Loan Bank Notes	2,405,863	1,100,286	\$1,305,577
Federal Home Loan Mortgage Credit Notes	6,128,674	6,128,674	
Federal National Mortgage Association Notes	1,494,014	1,162,743	331,271
Accrued Interest	47,696	47,696	
Municipal Bonds	2,833,674	2,833,674	
STAR Ohio	38,047	38,047	
Negotiable Certificates of Deposit	1,215,347	230,177	985,170
STAR Ohio – State Share	4,760,555	4,760,555	
STAR Ohio – Legal Set Aside	27,547	27,547	
STAR Ohio - Bond	4,075	4,075	
Total Investments	<u>\$19,682,167</u>	<u>\$17,060,149</u>	<u>\$2,622,018</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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

Credit Risk - Federal Farm Credit Bank Notes, Federal Home Loan Banks Notes, Federal Home Loan Mortgage Credit Notes, and Federal National Mortgage Association Notes carry a rating of Aaa by Moody's and AA+ by Standard and Poor's. Municipal bonds carry a rating of A2 and Aaa by Moody's and A- and AAA by Standard and Poor's. STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

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

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in the Federal Farm Credit Bank Notes, Federal Home Loan Banks Notes, Federal Home Loan Mortgage Credit Notes, Federal National Mortgage Association Notes, Municipal bonds, negotiable certificates of deposit, and Star Ohio represent 4 percent, 12 percent, 31 percent, 8 percent, 14 percent, 6 percent, and 25 percent, respectively, of the District's total investments.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes for 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by state statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. PROPERTY TAXES - (Continued)

Public utility real and tangible personal property taxes for 2014 were levied after April 1, 2013, on the assessed values as of December 31, 2010, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2014 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 2014 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred inflow for that portion not intended to finance current year operations.

The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2014, was \$1,407,016 in the General Fund, \$281,505 in the Debt Service Fund, and \$59,063 in the Capital Projects Fund. The amount available as an advance at June 30, 2013, was \$1,220,996 in the General Fund, \$246,765 in the Debt Service Fund, and \$59,486 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$238,075,590	83%	\$238,388,380	83%
Industrial/Commercial	42,732,700	15%	42,486,580	15%
Public Utility	4,633,100	2%	4,983,370	2%
Total Assessed Value	<u>\$285,441,390</u>	<u>100%</u>	<u>\$285,858,330</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$57.55		\$60.45	

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. RECEIVABLES

At June 30, 2014, receivables 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.

	Amount
Accounts Receivable:	
All Other Governmental Funds	
Tuition and Fees	\$2,952
Payments in Lieu of Taxes	
Receivables:	
General Fund	\$209,642
Capital Projects Fund	8,190
Total Payments in Lieu of Taxes Receivable	\$217,832
Intergovernmental Receivables:	
Title I Fund	\$201,570
Title II-A	4,000
Miscellaneous	78,606
Total Governmental Activities	\$284,176

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance at 6/30/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2014</u>
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$254,016	\$791,033		\$1,045,049
Construction in Progress	135,940	4,098,765		4,234,705
Total Nondepreciable Capital Assets	<u>389,956</u>	<u>4,889,798</u>		<u>5,279,754</u>
Depreciable Capital Assets				
Land Improvements	2,052,555			2,052,555
Buildings and Building Improvements	14,933,329			14,933,329
Furniture, Fixtures, and Equipment	2,592,838	13,875	\$8,491	2,598,222
Vehicles	2,079,350	592,332	511,821	2,159,861
Totals	<u>21,658,072</u>	<u>606,207</u>	<u>520,312</u>	<u>21,743,967</u>
Less Accumulated Depreciation				
Land Improvements	1,577,990	62,958		1,640,949
Buildings and Building Improvements	9,184,158	390,825		9,574,983
Furniture, Fixtures, and Equipment	1,835,874	162,627	1,698	1,996,803
Vehicles	1,069,123	193,098	511,821	750,399
Total Accumulated Depreciation	<u>13,667,145</u>	<u>809,508</u>	<u>513,519</u>	<u>13,963,134</u>
Depreciable Capital Assets, Net	<u>\$7,990,927</u>	<u>(587,732)</u>	<u>6,793</u>	<u>8,571,866</u>
Governmental Activities Capital Assets, Net	<u>\$8,380,883</u>	<u>\$4,686,497</u>	<u>\$6,793</u>	<u>\$13,060,587</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$323,695
Special	1,875
Support Services:	
Pupils	3,698
Administration	2,036
Operation and Maintenance of Plant	133,938
Pupil Transportation	211,505
Central	39,312
Operation of Non-Instructional Services	2,916
Extracurricular	88,324
Capital Outlay	2,209
Total Depreciation Expense	<u>\$809,508</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. INTERFUND ASSETS/LIABILITIES

As of June 30, 2014, on the fund financial statements, Special Revenue and Capital Projects Funds owed the General Fund \$110,000. These amounts are represented as "Interfund Receivable/Payable" on the balance sheet.

9. PAYMENT IN LIEU OF TAXES

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

10. RISK MANAGEMENT

A. Comprehensive

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

Property (building & contents)	\$62,439,235
Equipment Breakdown	50,000,000
Automobile Liability	15,000,000
Educators' Legal Liability	15,000,000
Crime Coverage	100,000
General Liability:	
Per Occurrence	15,000,000
General Annual Aggregate	17,000,000

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

B. Employee Insurance Benefits Program

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. RISK MANAGEMENT – (Continued)

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 18). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

11. PENSION AND RETIREMENT PLANS

A. State Teachers Retirement System

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. PENSION AND RETIREMENT PLANS - (Continued)

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contributions rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,182,926, \$1,171,978 and \$1,212,769, respectively; 84.97 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions made to the DB, DC, and CP plans for fiscal year 2014 were \$906,025 made by the District and \$1,153,123 made by plan members.

B. School Employees Retirement System

Plan Description – The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit 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, 200 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website at www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 11 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The District's required contribution for pension obligations to SERS the fiscal years ended June 30, 2014, 2013, and 2012 was \$426,807, \$310,200, and \$299,200, respectively; 83.61 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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, 2014, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy – Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$90,994, \$90,152, and \$93,290, respectively; 84.97 percent has been contributed for 2014 and 100 percent for fiscal years 2013 and 2012.

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2014, 0.14 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 fiscal year 2014, this amount was \$20,250.

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.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$46,639 \$45,872, and \$49,672 respectively. For fiscal year 2014, 7.95 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was .76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$24,761, \$17,547, and \$17,669, respectively; 83.61 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

13. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 5 to 20 days. Employees with less than one year of service do not earn vacation.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to a teacher upon retirement is limited to 25% of the accumulated sick leave to a maximum of 50.00 days. The amount paid to the Superintendent or Treasurer upon retirement is limited to 30% of the accumulated sick leave to a maximum of 75 days. The amount paid to a classified employee upon retirement is limited to 25% of the accumulated sick leave to a maximum of 55 days. The amount paid to a supervisor upon retirement is limited to 25% of the accumulated sick leave to a maximum of 51.25 days. The amount paid to a confidential employee with a minimum of 5 years of service upon retirement is limited to 25% of the accumulated sick leave to a maximum of 51.25 days.

At June 30, 2014 the current amount of matured compensated absences in all funds was \$43,384. The amount of long-term compensated absences in all funds was \$1,121,878.

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2014, the following changes occurred in obligations reported in the Government-Wide financial statements:

	<u>Balance at 6/30/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/2014</u>	<u>Due Within One Year</u>
Series 2012 General Obligation Bonds	\$30,800,000		\$15,000	\$30,785,000	\$35,000
Series 2012 Unamortized Bond Premium	1,298,455		34,936	1,263,519	34,936
2005 Advance Refunding General Obligation Bonds	1,835,000		450,000	1,385,000	480,000
2005 Unamortized Bond Premium	77,208		20,704	56,504	20,704
Energy Conservation Loan 2006	1,257,465		135,106	1,122,359	140,891
EPA Asbestos Project	796,166		144,757	651,409	144,757
Total Long-Term Debt	<u>36,064,294</u>		<u>800,503</u>	<u>35,263,791</u>	<u>856,288</u>
Capital Leases	113,667	\$888,885	256,463	746,089	242,806
Compensated Absences	1,277,396		155,518	1,121,878	64,636
Total Long-Term Obligations	<u>\$37,455,357</u>	<u>\$888,885</u>	<u>\$1,212,484</u>	<u>\$37,131,758</u>	<u>\$1,163,730</u>

The scheduled payments of principal and interest on debt outstanding at June 30, 2014, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$856,289	\$1,362,160	\$2,218,449
2016	942,321	1,330,177	2,272,498
2017	883,004	1,299,011	2,182,015
2018	854,468	1,276,026	2,130,494
2019	798,930	1,258,785	2,057,715
2020-2024	3,344,620	6,029,524	9,374,144
2025-2029	3,449,680	5,529,313	8,978,993
2030-2034	4,014,680	4,949,100	8,963,780
2035-2039	4,924,680	4,006,219	8,930,899
2040-2044	5,979,680	2,934,656	8,914,336
2045-2049	7,484,680	1,372,250	8,856,930
2050-2051	1,730,759	42,250	1,773,009
Total	<u>\$35,263,791</u>	<u>\$31,389,471</u>	<u>\$66,653,262</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. LONG-TERM OBLIGATIONS - (Continued)

School Facilities Construction and Improvement Bonds, Series 2012

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

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

Maturity Date (December 1)	Principal Amount	Interest Rate
2014	\$35,000	2.00%
2015	85,000	2.00%
2016	140,000	2.00%
2017	515,000	2.50%
2018	525,000	2.00%
2019	540,000	2.00%
2020	550,000	2.25%
2021	560,000	2.50%
2022	575,000	2.50%

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

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

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. LONG-TERM OBLIGATIONS - (Continued)

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

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

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

Advance Refunding General Obligation Bonds – 2005

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

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

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

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

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. LONG-TERM OBLIGATIONS - (Continued)

The Energy Conservation notes were issued in 2006 for \$2,060,000. The interest rate on the notes is 4.32 percent. The final maturity of this issuance is July 10, 2021.

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

15. CAPITAL LEASES – LESSEE DISCLOSURE

During fiscal year 2013 and 2014, the District entered into three capital leases for the acquisition of buses and computer equipment. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the bus lease was accounted for as Pupil Transportation expenditures in the Permanent Improvement fund. At inception, the two computer leases were accounted for as Instructional Staff expenditures in the General and Permanent Improvement funds. Capital lease payments have been reclassified and shown as debt service expenditures in the General and Permanent Improvement fund. Principal payments made during fiscal year 2014 totaled \$136,300 for the buses and \$120,163 for computer equipment.

	<u>Governmental</u>	
	<u>Activities</u>	
Property under Capital Leases	\$1,033,251	
Less: Accumulated Depreciation	(332,387)	
Total Capital Leases as of June 30, 2014	<u>\$700,864</u>	

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2014.

	<u>Computer</u>	
	<u>Equipment</u>	<u>Buses</u>
Principle Payments	\$352,557	\$393,532
Plus Interest Payments	20,882	15,367
Total Minimum Lease Payments as of June 30, 2014	<u>\$373,439</u>	<u>\$408,899</u>

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In addition, for fiscal year 2014, only the unspent portion of certain workers compensation refunds is required to be set-aside at fiscal year-end. The balance no longer required by statute for budget stabilization was designated by the District to be used for budget stabilization.

**NAPOLEON AREA CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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

	Capital Acquisition	Budget Stabilization
Set-aside Cash Balance as of June 30, 2013		\$51,337
Current Year Set-aside Requirement	\$348,920	
Current Year Offsets	\$(348,920)	
Total		\$51,337
Cash Balance Carried Forward to FY 2015		\$51,337

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

17. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$7,673. 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 \$109,162. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**NAPOLEON AREA CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS - (Continued)

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city districts; and one representative from each of the exempted village districts. The Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to Four County Career Center during this fiscal year were \$110. To obtain financial information write to the Four County Career Center, Connie Nicely, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves a twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. There were no disbursements made by the District to NOERC during this fiscal year. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

E. Educational Regional Service System

The Educational Regional Services System (the System) is a jointly governed organization among the school districts in Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. House Bill 115 established the System and required the creation of a coordinated, integrated, and aligned system to support state and school district efforts to improve school effectiveness and student achievement.

The System is a 16-region system consisting of a State Regional Alliance Advisory Board, an advisory council and five specialized subcommittees for each of the 16 regions, a fiscal agent for each region, educational service centers, special education regional resources centers, data acquisition sites, and other regional service providers. The 34-member State Regional Alliance Advisory Board is not a policymaking body. Members are to receive no compensation. The board's duties are to promote communication and coordination among the State Board of Education, the Department of Education, fiscal agents, advisory councils, and customers of the System. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Lucas County Educational Service Center, 2275 Collingwood, Toledo, Ohio, 43620.

**NAPOLEON AREA CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

18. GROUP PURCHASING POOLS

A. Northern Buckeye Health Plan Northwest Division of OHIC

The District participates in a group health insurance pool through the Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities throughout the state. The Pool is governed by OHI and its participating members. The District contributed a total of \$2,216,077 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, Ohio 45242.

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

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

Optimal Health Initiatives has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$2,242 to WCGRP to cover the costs of administering the program.

C. Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-Profit Corporations and functioning under authority granted by § 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons that might result in claims being made against members of SORSA, their employees or officers. The District paid \$84,502 for these services to SORSA in fiscal year 2014.

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.

**NAPOLEON AREA CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

19. RELATED ORGANIZATION

Napoleon Public Library

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

20. INTERFUND TRANSACTIONS

During the year ended June 30, 2014, the following transfers in and out occurred:

Fund	Transfers In	Transfers Out
General Fund		\$220,338
Other Governmental Funds:		
Special Revenue Funds:		
Facilities Maintenance Fund	\$136,858	
EMIS Fund	35,000	
Capital Project Funds:		
Permanent Improvement Fund		136,858
Building Fund	185,338	
Totals	\$357,196	\$357,196

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

21. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2014.

B. Litigation

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

22. ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits.

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Food Service Fund	\$43,870
Fiscal Stabilization	1,546
Title II-A	10,581

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The deficit fund balances resulted from reporting notes payable and advances from other funds and other accrued liabilities as a fund liability. These deficits will be alleviated when sufficient revenues are received to retire the notes and repay the advances.

B. Change in Accounting Principle

For fiscal year 2014, the District implemented GASB Statement No. 70, “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*”. The statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government. However, GASB 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or blended or discretely presented component unit.

The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

23. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

23. FUND BALANCE – (Continued)

Fund Balance	General	State and Local Share Building	Other Governmental	Total Governmental Funds
Nonspendable For:				
Materials and Supplies	\$97,610		\$5,554	\$103,164
Restricted For:				
Regular Instruction			8,857	8,857
Special Instruction			698,231	698,231
Support Services-Central			4,858	4,858
Athletics			84,553	84,553
Extracurricular Activities			6,657	6,657
Facilities Maintenance			278,362	278,362
Debt Retirement			1,750,316	1,750,316
Permanent Improvements			329,003	329,003
Building Construction		\$29,201,134	2,794,021	31,995,155
Total Restricted:		29,201,134	5,954,858	35,155,992
Assigned For:				
School Supplies	49,985			49,985
Rotary Special Services	4,466			4,466
Rotary	152			152
Public School Support	43,900			43,900
Encumbrances	288,052			288,052
Total Assigned	386,555			386,555
Unassigned	8,726,078		(61,551)	8,664,527
Total Fund Balance	\$9,210,243	\$29,201,134	\$5,898,861	\$44,310,238

24. CONTRACTUAL COMMITMENTS

As of June 30, 2014, the District had the following contractual purchase commitment for the wind turbine construction project:

Company	Amount Remaining
Beilharz Architects	\$680,721
Shook Touchstone VI	23,517,969
PSI	28,895
Rupp/Rosebrock Inc	121,965
Total	\$24,349,550

NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program - Cash Assistance	10.553	\$66,270	\$66,270
National School Lunch Program			
Cash Assistance	10.555	341,481	341,481
Non- Cash Assistance (Food Distribution)		53,163	53,488
Total National School Lunch Program		<u>394,644</u>	<u>394,969</u>
Total U.S. Department of Agriculture		<u>460,914</u>	<u>461,239</u>
U.S. DEPARTMENT OF DEFENSE			
<i>Passed Through Ohio Department of Education:</i>			
National School Lunch Program			
Non- Cash Assistance (Food Distribution)	10.555	<u>5,752</u>	<u>5,752</u>
Total All National School Lunch Program - CFDA # 10.555		400,396	400,721
Total Child Nutrition Cluster		<u>466,666</u>	<u>466,991</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	451,956	451,956
Special Education Preschool Grants	84.173	<u>27,541</u>	<u>27,541</u>
Total Special Education Cluster		479,497	479,497
English Language Acquisition State Grants	84.365	4,362	4,362
Twenty-First Century Community Learning Centers	84.287	121,393	139,102
ARRA - Race-to-the-Top Incentive Grants, Recovery Act	84.395	2,450	2,450
Title I Grants to Local Educational Agencies	84.010	437,222	454,813
Improving Teacher Quality State Grants	84.367	<u>95,695</u>	<u>97,356</u>
Total U.S. Department of Education		<u>1,140,619</u>	<u>1,177,580</u>
Total Federal Awards Receipts and Expenditures		<u>\$1,607,285</u>	<u>\$1,644,571</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, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The amount passed through to subrecipients was \$483,860.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2015.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

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

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

March 17, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Napoleon Area City School District, Henry County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Napoleon Area City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 17, 2015

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2014-001

Material Weakness

Financial Reporting

The following discrepancies were noted in the District's GAAP financial statements:

- Negotiable certificates of deposit totaling \$121,535 and \$1,093,812 were misclassified as "Cash and Cash Equivalents" instead of "Investments" on the District's financial statements in the Bond and LFI Building fund and the State and Local Share Building fund, respectively.
- The inception of the new bus lease totaling \$539,832 was offset against "Regular Instruction" instead of "Pupil Transportation in the Permanent Improvement fund.
- \$2,766,412 of the State and local Share Building's modified accrual balance of \$29,201,134 was classified as "Committed" instead of "Restricted".
- \$75,299 of the General fund's full accrual net position balance of \$8,622,079 was classified as "Restricted for Other Purposes" instead of "Unrestricted."
- RFI full accrual net position negative fund balances totaling \$55,997 were classified as "Restricted for Other Purposes" instead of "Unrestricted."
- Net Investment in Capital Assets decreased due to a material reclassification of \$3,745,661.
- Program and General revenues reported on the Statement of Activities were misposted by a total of \$1,563,507.

Adjustments were recorded to the financial statements to correct these posting entries.

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

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

Officials' Response:

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

FINDING NUMBER 2014-002

Significant Deficiency

Bank Reconciliations

The following discrepancies were noted during review of the June 30, 2014 fiscal year-end bank reconciliation:

- Investment balances as of May 31, 2014 were utilized to reconcile the District's books in various Star Ohio and Piper Jaffray accounts. A variance of \$35,877 was noted for June interest not being posted and a variance of \$52,190 was noted for June fair market values on Piper Jaffray investments not being posted.
- The Treasurer's "cost basis" of Piper Jaffray investments did not reconcile to the "cost basis" reported by Piper Jaffray officials. The Treasurer's cost basis was \$148,355 higher than the cost basis reported by Piper Jaffray.
- The Middle School and High School Athletic Directors requested more money to reimburse their Athletic checking accounts than were approved by the Board. The Middle School account had approximately \$407 more and the High School had approximately \$442 more than their approved amounts by the Board.

In order to ensure month-end bank reconciliations are properly reconciled, we recommend:

- Month-end interest earned on Star Ohio and Piper Jaffray accounts be posted to the District's books prior to closing out month end fiscal activity and prior to completing bank reconciliations.
- Treasurer should review Piper Jaffray investment accounts to try and reconcile his "cost-basis" amounts to the "cost basis" amounts reported by the investment company.
- The Middle School and High School Athletic Directors only request reimbursements to their petty cash checking accounts up to the Board approved amount.

Officials' Response:

Bank reconciliations are performed on a monthly basis. Current month end bank statements are being utilized to reconcile to the District's monthly bank reconciliations. The Treasurer is currently working with Piper Jaffray to reconcile the District's cost basis amounts to the amounts reported by Piper Jaffray. The Board has approved an increase in the High School Athletic checking accounts.

3. FINDINGS FOR FEDERAL AWARDS

None

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**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Material weakness due to errors in financial statements.	No	Not corrected. Reissued as finding 2014-001 in this report.

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NAPOLEON AREA CITY SCHOOL DISTRICT

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 7, 2015**