



Dave Yost • Auditor of State

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY
JUNE 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the 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, 2016, 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 (the District), as June 30, 2016, and the respective changes in financial position thereof 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2016, the District restated net position due to a capital asset appraisal. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2017, 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

Napoleon Area City School District
Henry County
Independent Auditor's Report
Page 3

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 1, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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, 2016. 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 2016 are as follows:

- The District retired \$595,000 in general obligation bonds from amounts accumulated in the bond retirement fund.
- In total, net position increased \$6,372,310 over net position from 2015 as restated in Note 3.A.
- General revenues accounted for \$25,566,193 or 83.72 percent of all revenues, and reflect the District's significant dependence on property taxes and unrestricted state entitlements. Programs specific revenues in the form of charges for services and sales, and operating grants and capital grants, and contributions accounted for \$4,971,895 or 16.28 percent of total revenues of \$30,538,088.
- The District's major funds are the general fund, the bond retirement fund and the state and local share building fund. The general fund had \$22,978,522 in revenues and other financing sources and \$20,574,864 in expenditures and other financing uses. The general fund's fund balance increased \$2,403,658 from the prior fiscal year.
- The bond retirement fund had \$2,113,029 in revenues and \$1,940,084 in expenditures. The bond retirement fund's fund balance increased \$172,945 from the prior fiscal year.
- The state and local share building fund had \$3,016,045 in revenues and \$8,868,795 in expenditures. The state and local share building fund's fund balance decreased \$5,852,750 from the prior fiscal year as the funds for the construction project were spent down.
- The fiscal condition of the State of Ohio is a major concern for the District and could significantly impact future operations.

Using these 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, an entire operating entity.

The *Statement of Net Position* and *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, the bond retirement fund and the state and local share building fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2016. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Fund

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major funds include the general fund, the bond retirement fund and the State and local share building fund.

Governmental Funds

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net position liability.

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015. The net position at June 30, 2016 has been restated as described in Note 3.B.

	Net Position	
	Governmental	Restated
	Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Assets</u>		
Current and other assets	\$ 36,682,400	\$ 43,710,667
Capital assets, net	<u>49,710,302</u>	<u>39,473,823</u>
Total assets	<u>86,392,702</u>	<u>83,184,490</u>
<u>Deferred Outflows of Resources</u>		
Pension	<u>2,689,370</u>	<u>1,756,765</u>
Total deferred outflows of resources	<u>2,689,370</u>	<u>1,756,765</u>
<u>Liabilities</u>		
Current liabilities	2,956,126	4,404,825
Long-term liabilities:		
Due within one year	1,343,725	1,254,828
Due in more than one year:		
Net pension liability	27,490,834	24,377,758
Other amounts	<u>33,941,336</u>	<u>34,903,213</u>
Total liabilities	<u>65,732,021</u>	<u>64,940,624</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	10,414,702	10,982,092
Pensions	<u>1,956,309</u>	<u>4,411,809</u>
Total deferred inflows of resources	<u>12,371,011</u>	<u>15,393,901</u>
<u>Net Position</u>		
Net investment in capital assets	16,111,414	19,799,739
Restricted	8,754,375	12,033,379
Unrestricted (deficit)	<u>(13,886,749)</u>	<u>(27,226,388)</u>
Total net position	<u>\$ 10,979,040</u>	<u>\$ 4,606,730</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

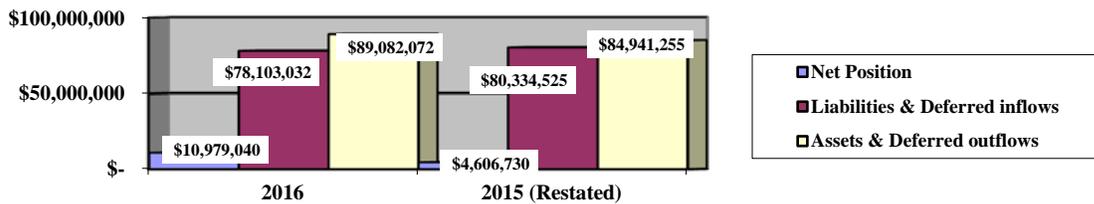
Total assets increased by \$3,208,212 (3.86 percent). The increase in total assets was due to construction in progress on the new elementary school and the renovations made to the current high school. Total liabilities increased by \$791,397 (1.22 percent). This is primarily due to an increase in net pension liability. Total net position increased by \$6,372,310 (138.33 percent) due to the completed construction in progress of the new elementary school and the renovations made to the current high school.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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A portion of the District's net position, \$8,754,375, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted deficit net position is (\$13,886,749).

Governmental Activities



The table below shows the change in net position for fiscal years 2016 and 2015. The net position at June 30, 2015 has been restated as described in Note 3.B.

	Change in Net Position	
	Governmental Activities	
	2016	Restated 2015
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,369,209	\$ 1,444,960
Operating grants and contributions	3,538,206	1,945,578
Capital grants and contributions	64,480	-
General revenues:		
Property taxes	10,965,162	11,212,077
Payments in Lieu of Taxes	236,563	171,585
Grants and Entitlements	14,206,036	18,238,024
Interest	43,240	219,540
Gifts and Donations	-	43,242
Miscellaneous	115,192	236,952
Premium on Bonds and Notes Issued	-	(179,091)
Proceeds from Sale of Capital Assets	-	5,250
Total revenues	30,538,088	33,338,117

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Change in Net Position	
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>Restated 2015</u>
<u>Expenses</u>		
Program expenses:		
Instruction		
Regular	\$ 9,428,502	\$ 8,364,027
Special	3,170,916	3,697,437
Vocational	165,123	157,778
Other	1,432,090	1,475,803
Support services:		
Pupil	1,365,494	1,315,356
Instructional staff	588,655	908,122
Board of Education	34,717	42,710
Administration	1,287,767	1,398,637
Fiscal	627,584	644,843
Operations and maintenance	1,617,925	2,131,155
Pupil transportation	1,211,972	1,101,771
Central	211,887	158,728
Operation of non-instructional services	785,729	802,871
Extracurricular activities	951,061	665,261
Interest and fiscal charges	<u>1,286,356</u>	<u>1,318,351</u>
Total expenses	<u>24,165,778</u>	<u>24,182,850</u>
Changes in net position	6,372,310	9,155,267
Net position at beginning of year (restated)	<u>4,606,730</u>	<u>(4,548,537)</u>
Net position at end of year	<u>\$ 10,979,040</u>	<u>\$ 4,606,730</u>

Total revenues decreased by \$2,800,029 (8.40 percent) primarily due to the decrease in grants received from the Ohio Facilities Construction Commission for the construction project.

Program revenues account for 16.28 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees, extracurricular activities, and food service sales.

Total expenditures decreased by \$17,072 (0.07 percent) due largely to the decrease in operations and maintenance. With the completion of the new elementary school and renovations to the current high school there were less operations and maintenance expenses reported in the current fiscal year.

The major program expenses for governmental activities are for instruction, which accounts for 58.75 percent of all governmental expenses. Support programs, which include pupils, instructional staff, operation and maintenance of plant, and pupil transportation, account for 19.80 percent of all governmental expenses. Therefore, 78.55 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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Governmental Activities

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

**Table 3
Governmental Activities**

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Program expenses:				
Instruction:				
Regular	\$ 9,428,502	\$ 8,459,674	\$ 8,364,027	\$ 7,528,989
Special	3,170,916	1,109,099	3,697,437	2,496,479
Vocational	165,123	148,215	157,778	115,988
Other	1,432,090	1,432,090	1,475,803	1,475,803
Support services:				
Pupil	1,365,494	1,298,303	1,315,356	1,273,913
Instructional staff	588,655	569,656	908,122	882,275
Board of education	34,717	34,717	42,710	42,710
Administration	1,287,767	1,282,820	1,398,637	1,397,000
Fiscal	627,584	613,484	644,843	644,755
Operations and maintenance	1,617,925	1,596,892	2,131,155	2,025,046
Pupil transportation	1,211,972	634,239	1,101,771	1,101,771
Central	211,887	211,887	158,728	158,728
Operation of non-instructional services:				
Other non-instructional services	785,729	7,744	802,871	6,329
Extracurricular activities	951,061	508,707	665,261	324,175
Interest and fiscal charges	<u>1,286,356</u>	<u>1,286,356</u>	<u>1,318,351</u>	<u>1,318,351</u>
Total expenses	<u>\$ 24,165,778</u>	<u>\$ 19,193,883</u>	<u>\$ 24,182,850</u>	<u>\$ 20,792,312</u>

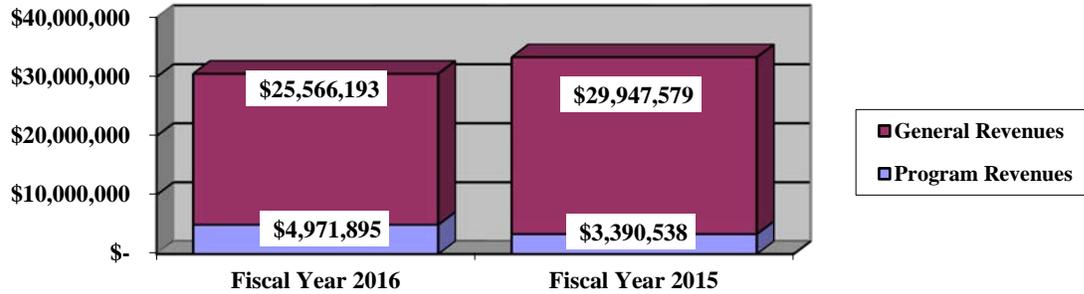
The dependence upon tax and other general revenues for governmental activities is apparent, as 78.53% of instruction activities in fiscal year 2016 are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.43% of all expenses. The District's taxpayers, and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal year 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$22,731,930, which is lower than last year's total of \$27,882,774. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance <u>June 30, 2016</u>	Fund Balance <u>June 30, 2015</u>	<u>Change</u>
General	\$ 13,969,333	\$ 11,565,675	\$ 2,403,658
Bond retirement	2,382,800	2,209,855	172,945
State and local share building	3,874,782	9,727,532	(5,852,750)
Other governmental	<u>2,505,015</u>	<u>4,379,712</u>	<u>(1,874,697)</u>
Total	<u>\$ 22,731,930</u>	<u>\$ 27,882,774</u>	<u>\$ (5,150,844)</u>

General Fund

The table on the following page assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 8,869,518	\$ 8,804,620	0.74 %
Tuition	599,134	809,640	(26.00) %
Earnings on investments	43,240	30,085	43.73 %
Intergovernmental	12,322,279	12,558,840	(1.88) %
Other revenues	<u>554,181</u>	<u>576,452</u>	(3.86) %
 Total	 <u>\$ 22,388,352</u>	 <u>\$ 22,779,637</u>	 (1.72) %
<u>Expenditures</u>			
Instruction	12,192,730	12,418,415	(1.82) %
Support services	6,377,541	7,139,332	(10.67) %
Extracurricular activities	543,015	505,342	7.45 %
Facilities acquisition and construction	452,976	-	100.00 %
Capital outlay	441,341	207,121	113.08 %
Debt service	<u>291,923</u>	<u>204,113</u>	43.02 %
 Total	 <u>\$ 20,299,526</u>	 <u>\$ 20,474,323</u>	 (0.85) %

The District experienced a 1.72% or \$391,285 decrease in general fund revenues. Tuition revenue decreased \$210,506 or 26.00% due to a decrease in special education paid out of the general fund. Earnings on investments increased \$13,155 or 43.73% due to higher earnings on investments during the fiscal year. All other revenues remained consistent from fiscal year 2015 to fiscal year 2016.

Expenditures in the general fund decreased 0.85% or \$174,797. Support services decreased 10.67% or \$761,791 due mainly to decreases in instructional staff, operations and maintenance and pupil transportation. The District had an increase in capital outlay of \$234,220 or 113.08% due to the acquisition of a capital leases in fiscal year 2016. Facilities acquisition and construction increased \$452,976 or 100.00 percent due to expenditures for field turf installation and the wrestling room paid out of the general fund in fiscal year 2016. The increase in debt service was due to the increase in payments related to capital lease obligations. All other expenditures remained consistent from fiscal year 2015 to fiscal year 2016.

Bond Retirement Fund

In fiscal year 2016, the bond retirement fund revenues decreased by 10.07 percent due to the decrease in property and other local tax revenue. The bond retirement fund expenditures were increased by 2.65 percent due to payment of long-term debt. The bond retirement fund balance increased by \$172,945 (7.83 percent) due to the revenues still being more than the debt service payments.

State and Local Share Building Fund

In fiscal year 2016, the state and local share building fund revenues decreased by 45.24 percent due to the decrease in intergovernmental revenue received. The state and local share building fund expenditures decreased by 64.30 percent with construction costs related to the projects above coming to a close. The state and local share building fund balance decreased by \$5,852,750 (60.17 percent) due to the construction costs of the projects above exceeding the monies received from the Ohio Facilities Construction Commission.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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 2016, the District amended its general fund budget as needed.

General Fund final and original budgeted revenues and other financing sources were \$22,935,029 and \$22,820,500, an increase of \$114,529 (0.50 percent). This increase is primarily due to increasing other revenues in the sale of capital assets. Actual revenues and other financing sources were \$22,939,517. This represents an increase of \$4,488 (less than 0.02 percent) from the final budget.

General Fund original appropriations (appropriated expenditures plus other financing uses) of \$20,608,021 were increased to \$21,272,679 in the final budget (for a variance of less than 3.23 percent). The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$20,615,243, which was \$657,436 (3.09 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 2016, the District had \$49,710,302 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of 25.94 percent from the beginning of the year restated amount.

**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2016</u>	Restated <u>2015</u>
Land	\$ 1,015,651	\$ 1,015,651
Construction in progress		32,325,869
Land improvements	1,177,373	335,797
Building and improvements	43,689,336	4,175,183
Furniture, fixtures and equipment	3,097,158	717,685
Vehicles	<u>730,784</u>	<u>903,638</u>
Total	<u>\$ 49,710,302</u>	<u>\$ 39,473,823</u>

Total additions to capital assets for 2016 were \$11,696,262. Disposals to capital assets for 2016 were \$164,392 (net of accumulated depreciation). Depreciation expense for fiscal 2016 was \$1,295,391. Overall, capital assets of the District increased \$10,236,479.

For further information regarding the District's capital assets, see Note 9 to the basic financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Debt

At June 30, 2016, the District's long term obligations, which include general obligation bonds, EPA asbestos abatement project, energy conservation loan, and capital leases, were \$33,006,233, down 2.62 percent from the end of fiscal year 2015.

At June 30, 2016, the District's overall legal debt margin was \$838,889 with an unvoted debt margin of \$327,957.

For further information regarding the District's debt, see Note 11 to the basic financial statements.

Current Issues Affecting Financial Condition

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 is being used to construct a new elementary school and make renovations to the current high school. The District moved into the new elementary school in January 2016.

Contacting the School District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 23,907,103
Receivables:	
Property taxes	12,251,075
Payment in lieu of taxes	188,066
Accounts.	151
Accrued interest	2,232
Intergovernmental	264,461
Materials and supplies inventory.	60,992
Inventory held for resale.	8,320
Capital assets:	
Nondepreciable capital assets	1,015,651
Depreciable capital assets, net.	48,694,651
Capital assets, net	<u>49,710,302</u>
Total assets.	<u>86,392,702</u>
 Deferred outflows of resources:	
Pension - STRS	2,251,874
Pension - SERS	437,496
Total deferred outflows of resources	<u>2,689,370</u>
 Liabilities:	
Accounts payable.	52,275
Contracts payable.	341,656
Accrued wages and benefits payable	2,094,483
Intergovernmental payable	363,070
Accrued interest payable	104,642
Long-term liabilities:	
Due within one year.	1,343,725
Due in more than one year:	
Net pension liability (See Note 14)	27,490,834
Other amounts due in more than one year	33,941,336
Total liabilities	<u>65,732,021</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	10,414,702
Pension - STRS.	1,756,339
Pension - SERS.	199,970
Total deferred inflows of resources	<u>12,371,011</u>
 Net position:	
Net investment in capital assets	16,111,414
Restricted for:	
Capital projects	5,320,256
Classroom facilities maintenance	485,330
Debt service.	2,331,622
Locally funded programs	10,223
State funded programs.	93,799
Federally funded programs	368,507
Student activities	140,119
Other purposes	4,519
Unrestricted (deficit)	(13,886,749)
Total net position.	<u>\$ 10,979,040</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 9,428,502	\$ 649,837	\$ 287,511	\$ 31,480	\$ (8,459,674)
Special	3,170,916	80,217	1,981,600	-	(1,109,099)
Vocational	165,123	-	16,908	-	(148,215)
Other	1,432,090	-	-	-	(1,432,090)
Support services:					
Pupil	1,365,494	-	67,191	-	(1,298,303)
Instructional staff	588,655	-	18,999	-	(569,656)
Board of education	34,717	-	-	-	(34,717)
Administration	1,287,767	-	4,947	-	(1,282,820)
Fiscal	627,584	-	14,100	-	(613,484)
Operations and maintenance	1,617,925	625	7,408	13,000	(1,596,892)
Pupil transportation	1,211,972	1,140	576,593	-	(634,239)
Central	211,887	-	-	-	(211,887)
Operation of non-instructional services:					
Other non-instructional services	37,252	-	36,472	-	(780)
Food service operations	748,477	268,326	473,187	-	(6,964)
Extracurricular activities	951,061	369,064	53,290	20,000	(508,707)
Interest and fiscal charges	1,286,356	-	-	-	(1,286,356)
Total governmental activities	\$ 24,165,778	\$ 1,369,209	\$ 3,538,206	\$ 64,480	(19,193,883)
General revenues:					
Property taxes levied for:					
General purposes					8,820,243
Debt service					1,797,124
Capital outlay					347,795
Payments in lieu of taxes					236,563
Grants and entitlements not restricted to specific programs					11,209,776
Grants and entitlements restricted for Ohio Facilities Construction Commission					2,996,260
Investment earnings					43,240
Miscellaneous					115,192
Total general revenues					25,566,193
Change in net position					6,372,310
Net position at beginning of year (restated)					4,606,730
Net position at end of year					\$ 10,979,040

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Bond Retirement	State and Local Share Building	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 14,967,117	\$ 2,110,585	\$ 4,212,267	\$ 2,565,797	\$ 23,855,766
Receivables:					
Property taxes	9,805,753	2,036,122	-	409,200	12,251,075
Payment in lieu of taxes	179,642	-	-	8,424	188,066
Accounts	151	-	-	-	151
Accrued interest	2,232	-	-	-	2,232
Intergovernmental	187,606	-	-	76,855	264,461
Materials and supplies inventory	58,809	-	-	2,183	60,992
Inventory held for resale	-	-	-	8,320	8,320
Restricted assets:					
Equity in pooled cash and cash equivalents	51,337	-	-	-	51,337
Total assets	<u>\$ 25,252,647</u>	<u>\$ 4,146,707</u>	<u>\$ 4,212,267</u>	<u>\$ 3,070,779</u>	<u>\$ 36,682,400</u>
Liabilities:					
Accounts payable	\$ 50,288	\$ -	\$ -	\$ 1,987	\$ 52,275
Contracts payable	-	-	337,485	4,171	341,656
Accrued wages and benefits payable	1,951,306	-	-	143,177	2,094,483
Intergovernmental payable	311,714	-	-	51,356	363,070
Total liabilities	<u>2,313,308</u>	<u>-</u>	<u>337,485</u>	<u>200,691</u>	<u>2,851,484</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	8,358,394	1,710,443	-	345,865	10,414,702
Payment in lieu of taxes not available	179,642	-	-	8,424	188,066
Delinquent property tax revenue not available	248,367	53,464	-	10,784	312,615
Intergovernmental revenue not available	183,603	-	-	-	183,603
Total deferred inflows of resources	<u>8,970,006</u>	<u>1,763,907</u>	<u>-</u>	<u>365,073</u>	<u>11,098,986</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory	58,809	-	-	2,183	60,992
Restricted:					
Debt service	-	2,382,800	-	-	2,382,800
Capital improvements	-	-	3,874,782	1,426,266	5,301,048
Classroom facilities maintenance	-	-	-	485,330	485,330
Non-public schools	-	-	-	92,354	92,354
Targeted academic assistance	-	-	-	843	843
Other purposes	-	-	-	383,851	383,851
Student activities	-	-	-	140,119	140,119
Assigned:					
Student instruction	5,033	-	-	-	5,033
Student and staff support	126,724	-	-	-	126,724
Extracurricular activities	50	-	-	-	50
Facilities acquisition and construction	325,064	-	-	-	325,064
Textbooks and Instructional materials	63,173	-	-	-	63,173
Other purposes	6,725	-	-	-	6,725
Unassigned (deficit)	13,383,755	-	-	(25,931)	13,357,824
Total fund balances	<u>13,969,333</u>	<u>2,382,800</u>	<u>3,874,782</u>	<u>2,505,015</u>	<u>22,731,930</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 25,252,647</u>	<u>\$ 4,146,707</u>	<u>\$ 4,212,267</u>	<u>\$ 3,070,779</u>	<u>\$ 36,682,400</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$ 22,731,930
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		49,710,302
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 312,615	
Payment in lieu of taxes receivable	188,066	
Intergovernmental receivable	183,603	
Total		684,284
Unamortized premiums on bonds issued are not recognized in the funds.		(1,208,743)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(104,642)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows of resources are not reported in governmental funds:		
Deferred outflows of resources - pension	2,689,370	
Deferred inflows of resources - pension	(1,956,309)	
Net pension liability	(27,490,834)	
Total		(26,757,773)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(31,060,000)	
Energy conservation loan	(834,544)	
EPA asbestos project	(361,895)	
Capital lease obligation	(749,794)	
Compensated absences	(1,070,085)	
Total		(34,076,318)
Net position of governmental activities		\$ 10,979,040

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>State and Local Share Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 8,869,518	\$ 1,813,294	\$ -	\$ 349,974	\$ 11,032,786
Payment in lieu of taxes	209,078	-	-	11,004	220,082
Tuition.	599,134	-	-	-	599,134
Transportation fees.	1,140	-	-	-	1,140
Earnings on investments	43,240	-	19,785	10,112	73,137
Charges for services	-	-	-	268,326	268,326
Extracurricular.	97,226	-	-	262,669	359,895
Classroom materials and fees	68,828	-	-	-	68,828
Rental income	625	-	-	5,150	5,775
Contributions and donations	64,731	-	-	69,551	134,282
Contract services.	62,092	-	-	4,019	66,111
Other local revenues	50,461	-	-	41,773	92,234
Intergovernmental - state	12,021,709	299,735	2,996,260	326,180	15,643,884
Intergovernmental - federal	300,570	-	-	1,572,542	1,873,112
Total revenues	<u>22,388,352</u>	<u>2,113,029</u>	<u>3,016,045</u>	<u>2,921,300</u>	<u>30,438,726</u>
Expenditures:					
Current:					
Instruction:					
Regular.	8,360,872	-	-	298,623	8,659,495
Special	2,232,017	-	-	887,791	3,119,808
Vocational	167,751	-	-	-	167,751
Other	1,432,090	-	-	-	1,432,090
Support services:					
Pupil	1,295,429	-	-	42,846	1,338,275
Instructional staff	571,827	-	-	16,809	588,636
Board of education	34,976	-	-	-	34,976
Administration	1,305,904	-	-	4,095	1,309,999
Fiscal	546,675	53,321	-	19,128	619,124
Operations and maintenance	1,528,315	-	-	58,073	1,586,388
Pupil transportation	971,114	-	-	69,337	1,040,451
Central	123,301	-	-	42,575	165,876
Operation of non-instructional services:					
Other operation of non-instructional	-	-	-	37,377	37,377
Food service operations	-	-	-	733,610	733,610
Extracurricular activities.	543,015	-	-	295,331	838,346
Facilities acquisition and construction.	452,976	-	8,868,795	2,223,181	11,544,952
Capital outlay.	441,341	-	-	-	441,341
Debt service:					
Principal retirement.	281,275	595,000	-	451,768	1,328,043
Interest and fiscal charges	10,648	1,291,763	-	45,791	1,348,202
Total expenditures	<u>20,299,526</u>	<u>1,940,084</u>	<u>8,868,795</u>	<u>5,226,335</u>	<u>36,334,740</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>2,088,826</u>	<u>172,945</u>	<u>(5,852,750)</u>	<u>(2,305,035)</u>	<u>(5,896,014)</u>
Other financing sources (uses):					
Sale/loss of assets	148,829	-	-	155,000	303,829
Transfers in.	-	-	-	402,905	402,905
Transfers (out)	(275,338)	-	-	(127,567)	(402,905)
Capital lease transaction	441,341	-	-	-	441,341
Total other financing sources (uses).	<u>314,832</u>	<u>-</u>	<u>-</u>	<u>430,338</u>	<u>745,170</u>
Net change in fund balances	2,403,658	172,945	(5,852,750)	(1,874,697)	(5,150,844)
Fund balances at beginning of year	<u>11,565,675</u>	<u>2,209,855</u>	<u>9,727,532</u>	<u>4,379,712</u>	<u>27,882,774</u>
Fund balances at end of year.	<u>\$ 13,969,333</u>	<u>\$ 2,382,800</u>	<u>\$ 3,874,782</u>	<u>\$ 2,505,015</u>	<u>\$ 22,731,930</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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, 2016

Net change in fund balances - total governmental funds	\$	(5,150,844)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 11,696,262	
Current year depreciation	(1,295,391)	
Total		10,400,871
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(164,392)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(67,624)	
Payment in lieu of taxes	16,481	
Intergovernmental	183,603	
Total		132,460
Repayment of bonds, loans and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,328,043
Issuance of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(441,341)
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
(Increase) decrease in accrued interest payable	6,206	
Amortization of bond premiums	55,640	
Total		61,846
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,577,244
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,302,215)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(69,362)
Change in net position of governmental activities	\$	6,372,310

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
From local sources:				
Property taxes	\$ 8,706,000	\$ 9,329,854	\$ 9,329,854	\$ -
Payment in lieu of taxes.	155,000	209,078	209,078	-
Tuition.	768,000	599,755	599,855	100
Transportation fees.	1,000	1,140	1,140	-
Earnings on investments	27,000	43,700	44,571	871
Classroom materials and fees	16,000	26,395	26,395	-
Rental income	2,500	625	625	-
Contributions and donations	-	46,488	46,501	13
Contract services.	54,000	62,092	62,092	-
Other local revenues	44,000	43,642	43,797	155
Intergovernmental - state	12,810,000	12,043,892	12,043,892	-
Intergovernmental - federal	125,000	297,221	300,570	3,349
Total revenues	<u>22,708,500</u>	<u>22,703,882</u>	<u>22,708,370</u>	<u>4,488</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,275,778	8,403,846	8,370,690	33,156
Special.	2,723,415	2,614,224	2,258,789	355,435
Vocational.	172,550	178,727	166,627	12,100
Other.	1,561,000	1,384,776	1,369,362	15,414
Support services:				
Pupil.	1,160,436	1,314,457	1,299,043	15,414
Instructional staff	629,236	640,767	593,003	47,764
Board of education	50,350	44,128	35,509	8,619
Administration.	1,419,669	1,425,478	1,364,386	61,092
Fiscal	611,080	587,490	574,478	13,012
Operations and maintenance.	1,749,353	1,719,989	1,652,160	67,829
Pupil transportation	1,082,882	1,038,268	1,027,783	10,485
Central.	120,000	121,879	120,156	1,723
Extracurricular activities.	421,974	444,021	437,956	6,065
Facilities acquisition and construction	21,375	779,166	778,040	1,126
Debt service:				
Principal retirement	338,923	281,275	281,275	-
Interest and fiscal charges.	30,000	13,850	10,648	3,202
Total expenditures	<u>20,368,021</u>	<u>20,992,341</u>	<u>20,339,905</u>	<u>652,436</u>
Excess of revenues over expenditures	<u>2,340,479</u>	<u>1,711,541</u>	<u>2,368,465</u>	<u>656,924</u>
Other financing sources (uses):				
Refund of prior year's expenditures	7,000	27,318	27,318	-
Refund of prior year's receipts.	(1,000)	(1,000)	-	1,000
Transfers (out).	(235,000)	(275,338)	(275,338)	-
Advances in.	55,000	55,000	55,000	-
Advances (out)	(4,000)	(4,000)	-	4,000
Sale of capital assets	50,000	148,829	148,829	-
Total other financing sources (uses)	<u>(128,000)</u>	<u>(49,191)</u>	<u>(44,191)</u>	<u>5,000</u>
Net change in fund balance	2,212,479	1,662,350	2,324,274	661,924
Fund balance at beginning of year	11,778,030	11,778,030	11,778,030	-
Prior year encumbrances appropriated	347,601	347,601	347,601	-
Fund balance at end of year	<u>\$ 14,338,110</u>	<u>\$ 13,787,981</u>	<u>\$ 14,449,905</u>	<u>\$ 661,924</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private-Purpose Trust	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents.	\$ 11,461	\$ 178,444
Receivables:		
Accounts	-	46
Total assets.	11,461	\$ 178,490
Liabilities:		
Accounts payable	-	\$ 403
Undistributed monies	-	178,087
Total liabilities	-	\$ 178,490
Net position:		
Held in trust for scholarships.	11,461	
Total net position.	\$ 11,461	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1
Gifts and contributions	15,045
Total additions	15,046
Deductions:	
Payments made in accordance with trust agreements	15,750
Change in net position	(704)
Net position at beginning of year	12,165
Net position at end of year	\$ 11,461

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, 2016**

NOTE 1 - DESCRIPTION OF THE DISTRICT

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 staffed by 93 classified employees and 142 certified teaching personnel, who provide services to 2,121 students and other community members. The Board of Education oversees the operations of the District's three instructional and support facilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. 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 18, 19, and 20 to the basic financial statements.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. 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.

C. 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:

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.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Bond Retirement Fund - The bond retirement fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

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.

D. 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.

E. 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.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 14 for deferred outflows of resources related the District’s net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes, revenue in lieu of taxes, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 14 for deferred inflows of resources related to the District’s net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 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.

F. 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.

G. 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 2016, the District invested in nonnegotiable certificates of deposit and the State Treasury Asset Reserve of Ohio (STAR Ohio). Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

During fiscal year 2016, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2016 amounted to \$43,240, which includes \$9,236 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.

H. 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.

I. 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.

J. 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, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

K. 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. The District had no interfund balances outstanding at June 30, 2016.

L. 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, 2016.

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.

M. 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.

N. Bond Cost and Premiums

On the governmental fund financial statements, issuance costs and premiums are recognized in the current period.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.A.

O. 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 music and athletic programs 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.

P. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can be made to offset future budget deficits or expenditures as approved by the Board of Education. At June 30, 2016, the balance in the budget stabilization reserve was \$252,152. This amount is included in unassigned fund balance of the General fund and in unrestricted net position on the statement of net position.

Q. Fund Balance

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

R. 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.

S. 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.

T. 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 2016.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

U. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Position

A net position restatement is required for an accounting change to capital assets appraisal and errors and omissions previously reported. The restatement had the following effect on net position:

	Governmental Activities
Net position as previously reported	\$ 2,486,403
Adjustment for capital assets	2,120,327
Restated net position at July 1, 2015	\$ 4,606,730

C. Deficit Fund Balance

Fund balance at June 30, 2016 included the following individual fund deficit:

<u>Nonmajor fund</u>	<u>Deficit</u>
Title I	\$ 24,710

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND EQUIVALENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, 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;

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 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;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
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 with the institution.

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

A. Cash on Hand

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits, including \$5,054,323 in nonnegotiable certificates of deposit, was \$22,783,492. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$18,212,390 of the District’s bank balance of \$22,987,578 was exposed to custodial risk as discussed below, while \$4,775,188 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2016, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 1,313,216	\$ 1,313,216

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

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 investment or collateral securities that are in the possession of an outside party. The District’s investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

**NAPOLEON AREA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,313,216	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 22,783,492
Investments	1,313,216
Cash on hand	<u>300</u>
Total	<u>\$ 24,097,008</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 23,907,103
Private purpose trust funds	11,461
Agency funds	<u>178,444</u>
Total	<u>\$ 24,097,008</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year 2016 consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds:	
Food service	\$ 50,000
Education management information systems	40,000
Building	<u>185,338</u>
Total general fund transfers out	<u>\$ 275,338</u>
<u>Transfers from nonmajor permanent improvement to:</u>	
Nonmajor governmental fund:	
Classroom facilities maintenance	<u>\$ 127,567</u>
Total transfers	<u>\$ 402,905</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NAPOLEON AREA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Henry County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$1,198,992 in the General Fund, \$272,215 in the Bond Retirement Fund and \$52,551 in the Permanent Improvement Fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$1,659,328 in the General Fund, \$397,305 in the Bond Retirement Fund and \$72,467 in the Permanent Improvement Fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential	\$ 279,577,760	85	\$ 279,561,990	85
Industrial/commercial	42,320,010	13	43,264,010	13
Public utility	<u>5,111,640</u>	<u>2</u>	<u>5,130,540</u>	<u>2</u>
Total	<u>\$ 327,009,410</u>	<u>100</u>	<u>\$ 327,956,540</u>	<u>100</u>
Tax rate per \$1,000 of assessed valuation	\$ 60.45		\$ 60.45	

**NAPOLEON AREA CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 7 - PAYMENT IN LIEU OF TAXES

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

NOTE 8 - RECEIVABLES

Receivables at June 30, 2016 consisted of property taxes, accounts (billings for user charged services and student fees), payments in lieu of taxes, accrued interest and intergovernmental grants and entitlements. 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.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 12,251,075
Payments in lieu of taxes	188,066
Accounts	151
Accrued interest	2,232
Intergovernmental:	
State foundation receivable	15,040
Title I grant	42,108
Miscellaneous federal grants	34,747
Medicaid school program	139,468
SERS refund	33,098
Total intergovernmental	<u>\$ 264,461</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - CAPITAL ASSETS

Net position and capital assets balances have been restated for prior period adjustments required as the result of a capital asset appraisal and errors and omissions previously reported. The adjustment had the following effect on the District's governmental activities capital asset balances:

	Balance		(Restated) Balance
	<u>June 30, 2015</u>	<u>Adjustments</u>	<u>July 1, 2015</u>
Governmental Activities:			
Capital assets, not being depreciated:			
Land	\$ 1,045,049	\$ (29,398)	\$ 1,015,651
Construction in progress	29,001,459	3,324,410	32,325,869
Total capital assets, not being depreciated	<u>30,046,508</u>	<u>3,295,012</u>	<u>33,341,520</u>
Capital assets, being depreciated:			
Land improvements	2,087,860	(190,745)	1,897,115
Building and improvements	14,933,329	(2,941,646)	11,991,683
Furniture, fixtures and equipment	2,771,580	(956,784)	1,814,796
Vehicles	2,214,611	(25,616)	2,188,995
Total capital assets, being depreciated	<u>22,007,380</u>	<u>(4,114,791)</u>	<u>17,892,589</u>
Less: accumulated depreciation			
Land improvements	(1,705,389)	144,071	(1,561,318)
Building and improvements	(9,965,116)	2,148,616	(7,816,500)
Furniture, fixtures and equipment	(2,085,600)	988,489	(1,097,111)
Vehicles	(944,287)	(341,070)	(1,285,357)
Total accumulated depreciation	<u>(14,700,392)</u>	<u>2,940,106</u>	<u>(11,760,286)</u>
Governmental activities capital assets, net	<u>\$ 37,353,496</u>	<u>\$ 2,120,327</u>	<u>\$ 39,473,823</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - CAPITAL ASSETS - (Continued)

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,015,651	\$ -	\$ -	\$ 1,015,651
Construction in progress	32,325,869	-	(32,325,869)	-
Total capital assets, not being depreciated	<u>33,341,520</u>	<u>-</u>	<u>(32,325,869)</u>	<u>1,015,651</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,897,115	923,073	(10,839)	2,809,349
Buildings and improvements	11,991,683	40,395,776	(65,955)	52,321,504
Furniture, fixtures and equipment	1,814,796	2,703,282	(365,610)	4,152,468
Vehicles	2,188,995	-	(2,500)	2,186,495
Total capital assets, being depreciated	<u>17,892,589</u>	<u>44,022,131</u>	<u>(444,904)</u>	<u>61,469,816</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,561,318)	(77,748)	7,090	(1,631,976)
Buildings and improvements	(7,816,500)	(841,428)	25,760	(8,632,168)
Furniture, fixtures and equipment	(1,097,111)	(204,897)	246,698	(1,055,310)
Vehicles	(1,285,357)	(171,318)	964	(1,455,711)
Total accumulated depreciation	<u>(11,760,286)</u>	<u>(1,295,391)</u>	<u>280,512</u>	<u>(12,775,165)</u>
Governmental activities capital assets, net	<u>\$ 39,473,823</u>	<u>\$ 42,726,740</u>	<u>\$ (32,490,261)</u>	<u>\$ 49,710,302</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 588,843
Special	77,963

Support services:

Pupil	35,878
Instructional staff	19,377
Administration	52,924
Fiscal	11,126
Operations and maintenance	130,805
Pupil transportation	186,184
Central	55,483
Other non-instructional services	203
Food service operations	18,404
Extracurricular	<u>118,201</u>

Total depreciation expense \$ 1,295,391

**NAPOLEON AREA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal years 2013, 2014 and 2016, the District entered into six 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 computer leases were accounted for as instructional staff expenditures in the General and Permanent Improvement funds. Capital lease payments are shown as debt service expenditures in the General and Permanent Improvement funds. Principal payments made during fiscal year 2016 totaled \$131,161 for the buses and \$310,201 for computer equipment.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 459,387
2018	198,608
2019	<u>112,472</u>
Total minimum lease payments	770,467
Less: amount representing interest	<u>(20,673)</u>
Total	<u>\$ 749,794</u>

The cost of the capital assets obtained under capital lease for buses is \$592,332, and has been included in the governmental activities capital assets. The assets acquired by lease agreement for computer equipment were not capitalized as the individual assets did not exceed the District's threshold for capitalization.

	Governmental Activities
Buses under capital lease	\$ 592,332
Less: accumulated depreciation	<u>(219,933)</u>
Net book value as of June 30, 2016	<u>\$ 372,399</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the year ended June 30, 2016, the following changes occurred in obligations reported in the government-wide financial statements:

	Balance			Balance	Amounts
	<u>06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/16</u>	<u>Due in</u> <u>One Year</u>
Governmental activities:					
General obligation bonds, series 2012	\$ 30,750,000	\$ -	\$ (85,000)	\$ 30,665,000	\$ 140,000
Advance refunding general obligation bonds, series 2005	905,000	-	(510,000)	395,000	395,000
Energy conservation loan	981,468	-	(146,924)	834,544	153,214
EPA asbestos project	506,652	-	(144,757)	361,895	144,758
Capital lease obligations	749,815	441,341	(441,362)	749,794	445,017
Compensated absences	1,000,723	132,846	(63,484)	1,070,085	65,736
Net pension liability:					
STRS	20,053,334	2,613,246	-	22,666,580	-
SERS	4,324,424	499,830	-	4,824,254	-
Total net pension liability	<u>24,377,758</u>	<u>3,113,076</u>	<u>-</u>	<u>27,490,834</u>	<u>-</u>
Total long-term obligations, governmental activities	<u>59,271,416</u>	<u>\$ 3,687,263</u>	<u>\$ (1,391,527)</u>	<u>61,567,152</u>	<u>\$ 1,343,725</u>
Add: Unamortized premium on refunding	<u>1,264,383</u>	<u>-</u>	<u>(55,640)</u>	<u>1,208,743</u>	
Total on the statement of net position	<u>\$ 60,535,799</u>	<u>\$ 3,687,263</u>	<u>\$ (1,447,167)</u>	<u>\$ 62,775,895</u>	

B. 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:

<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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%

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

C. 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>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2016	\$ 395,000	5.00%

These bonds are not subject to redemption prior to maturity.

**NAPOLEON AREA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. The following is a summary of the future debt service requirements to maturity for the debt obligations outstanding.

Year Ended	General Obligation Bonds, Series 2012			Advance Refunding General Obligation Bonds, Series 2005		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 140,000	\$ 1,257,013	\$ 1,397,013	\$ 395,000	\$ 9,875	\$ 404,875
2018	515,000	1,250,462	1,765,462	-	-	-
2019	525,000	1,240,063	1,765,063	-	-	-
2020	540,000	1,229,413	1,769,413	-	-	-
2021	550,000	1,217,825	1,767,825	-	-	-
2022 - 2026	2,975,000	5,839,451	8,814,451	-	-	-
2027 - 2031	3,485,000	5,316,388	8,801,388	-	-	-
2032 - 2036	4,145,000	4,623,000	8,768,000	-	-	-
2037 - 2041	5,175,000	3,587,843	8,762,843	-	-	-
2042 - 2046	6,325,000	2,385,406	8,710,406	-	-	-
2047 - 2050	6,290,000	648,250	6,938,250	-	-	-
Total	\$ 30,665,000	\$ 28,595,114	\$ 59,260,114	\$ 395,000	\$ 9,875	\$ 404,875

Year Ended	Energy Conservation Loan			EPA Asbestos Project		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 153,214	\$ 32,124	\$ 185,338	\$ 144,758	\$ -	\$ 144,758
2018	159,775	25,563	185,338	144,758	-	144,758
2019	166,616	18,722	185,338	72,379	-	72,379
2020	173,750	11,588	185,338	-	-	-
2021	181,189	4,149	185,338	-	-	-
Total	\$ 834,544	\$ 92,146	\$ 926,690	\$ 361,895	\$ -	\$ 361,895

E. Other Debt Obligations

Energy Conservation Loan – The energy conservation loan was 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.

EPA Asbestos Project - 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.

Capital leases payable - Refer to Note 10 to the notes to the basic financial statements for detail on the capital lease obligations.

Compensated Absences - Compensated absences will be paid from the fund from which the person is paid, which, for governmental activities, is primarily the general fund and the food service.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Net Pension Liability - The District pays obligations related to employee compensation from the fund benefitting their service. See Note 14 to the notes to the basic financial statements for details.

NOTE 12 - 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 19.C) for insurance coverage. Coverages provided are as follows:

Property (building & contents)		\$ 69,737,520	
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.

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.

**NAPOLEON AREA CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 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 25 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 52.5 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.

The amount of long-term compensated absences in all funds was \$1,070,085.

Service Retirement Recognition Stipend: Certified Bargaining Unit Members who first become eligible to retire from the District with unreduced benefits, who have at least ten (10) years of service, who complete all scheduled work days in the year retiring and who are qualified for and receive service retirement benefits from STRS will be eligible for a service retirement recognition stipend (the stipend). The stipend will be a one-time cash payment of \$9,000. In order to qualify for the stipend the member must give notice of intent to retire to the Superintendent or designee no later than March 1 of the year in which he/she is first eligible to retire as stated above and retire at the end of the school year. The stipend will be paid to the VALIC Special Pay Plan account of the person entitled thereto. Such payment shall be made no later than the last day of the month following the month in which the retiring employee submits evidence of the employee having received his/her first retirement check from the retirement system.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

**NAPOLEON AREA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**NAPOLEON AREA CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$359,434 for fiscal year 2016. Of this amount, \$35,522 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,217,810 for fiscal year 2016. Of this amount, \$205,132 is reported as intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 4,824,254	\$ 22,666,580	\$ 27,490,834
Proportion of the net pension liability	0.08454560%	0.08201512%	
Pension expense	\$ 302,506	\$ 999,709	\$ 1,302,215

**NAPOLEON AREA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 78,062	\$ 1,034,064	\$ 1,112,126
District contributions subsequent to the measurement date	359,434	1,217,810	1,577,244
Total deferred outflows of resources	\$ 437,496	\$ 2,251,874	\$ 2,689,370
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 165,397	\$ 1,644,644	\$ 1,810,041
Changes in proportionate share	34,573	111,695	146,268
Total deferred inflows of resources	\$ 199,970	\$ 1,756,339	\$ 1,956,309

\$1,577,244 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$ (70,939)	\$ (400,375)	\$ (471,314)
2018	(70,939)	(400,375)	(471,314)
2019	(70,940)	(400,373)	(471,313)
2020	90,910	478,848	569,758
Total	\$ (121,908)	\$ (722,275)	\$ (844,183)

Actuarial Assumptions - SERS

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

Changes Between Measurement Date and Report Date - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

**NAPOLEON AREA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 6,689,507	\$ 4,824,254	\$ 3,253,557

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 31,485,590	\$ 22,666,580	\$ 15,208,792

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**NAPOLEON AREA CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$42,405.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$42,405, \$64,504, and \$46,639, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$90,994, respectively. The full amount has been contributed for fiscal year 2014.

**NAPOLEON AREA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year. In addition, for fiscal year 2016, 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 state statute for budget stabilization was designated by the District to be used for budget stabilization (see Note 2.P for detail).

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

	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside balance June 30, 2015	\$ -	\$ 51,337
Current year set-aside requirement	348,865	-
Current year qualifying expenditures	(155,447)	-
Current year offsets	<u>(453,452)</u>	<u>-</u>
Total	<u>\$ (260,034)</u>	<u>\$ 51,337</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>	<u>\$ 51,337</u>

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 2,324,274
Net adjustment for revenue accruals	(484,752)
Net adjustment for expenditure accruals	(267,295)
Net adjustment for other sources/uses	359,023
Funds budgeted elsewhere	15,971
Adjustment for encumbrances	456,437
GAAP basis	<u>\$ 2,403,658</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, rotary funds, and public school support fund.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$256. 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 \$116,064. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city districts; and one representative from each of the exempted village districts. The Four County Career Center possesses its own budgeting and taxing authority. The District made no disbursements made by the District to Four County Career Center during the fiscal year. 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. There were no disbursements made by the District to the System during this fiscal year. Financial information can be obtained from the Lucas County Educational Service Center, 2275 Collingwood, Toledo, Ohio, 43620.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 19 - 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 \$2,178,971 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 made no payments 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 \$108,956 for these services to SORSA in fiscal year 2016.

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
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 20 - RELATED ORGANIZATION

Napoleon Public Library

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

NOTE 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 22 - CONTRACTUAL COMMITMENTS

As of June 30, 2016, the District had the following contractual purchase commitment for the construction of a new Ohio School Facilities Commission (OSFC) elementary school and permanent improvements on the District's middle / high school:

Company	Amount Remaining
Barton Malow Co.	\$ 80,340
Beliharz Architects Inc.	119,914
Brumbaugh-Herrick Inc.	5,600
D&R Demolition	82,000
Midwest Environmental	150,818
Russ James Contracting Inc.	89,000
Shook Touchstone	1,021,673
Stan and Associates Inc.	16,048
TTL Associates Inc.	<u>21,521</u>
Total	<u>\$ 1,586,914</u>

NOTE 23 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 420,932
State and local share building	1,254,587
Nonmajor governmental	<u>322,034</u>
Total	<u>\$ 1,997,553</u>

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.08454560%	0.08544700%	0.08544700%
District's proportionate share of the net pension liability	\$ 4,824,254	\$ 4,324,424	\$ 5,081,259
District's covered-employee payroll	\$ 2,703,923	\$ 2,507,987	\$ 2,371,192
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.42%	172.43%	214.29%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.08201512%	0.08244441%	0.08244441%
District's proportionate share of the net pension liability	\$ 22,666,580	\$ 20,053,334	\$ 23,887,397
District's covered-employee payroll	\$ 8,693,564	\$ 9,071,508	\$ 9,015,215
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	260.73%	221.06%	264.97%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 359,434	\$ 356,377	\$ 347,607	\$ 328,173
Contributions in relation to the contractually required contribution	<u>(359,434)</u>	<u>(356,377)</u>	<u>(347,607)</u>	<u>(328,173)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,567,386	\$ 2,703,923	\$ 2,507,987	\$ 2,371,192
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 316,869	\$ 279,697	\$ 294,822	\$ 242,451	\$ 248,181	\$ 280,686
<u>(316,869)</u>	<u>(279,697)</u>	<u>(294,822)</u>	<u>(242,451)</u>	<u>(248,181)</u>	<u>(280,686)</u>
<u>\$ -</u>					
\$ 2,355,903	\$ 2,225,115	\$ 2,177,415	\$ 2,463,933	\$ 2,527,301	\$ 2,628,146
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,217,810	\$ 1,217,099	\$ 1,179,296	\$ 1,171,978
Contributions in relation to the contractually required contribution	<u>(1,217,810)</u>	<u>(1,217,099)</u>	<u>(1,179,296)</u>	<u>(1,171,978)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,698,643	\$ 8,693,564	\$ 9,071,508	\$ 9,015,215
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,212,769	\$ 1,154,851	\$ 1,163,005	\$ 1,249,890	\$ 1,304,063	\$ 1,250,622
<u>(1,212,769)</u>	<u>(1,154,851)</u>	<u>(1,163,005)</u>	<u>(1,249,890)</u>	<u>(1,304,063)</u>	<u>(1,250,622)</u>
<u>\$ -</u>					
\$ 9,328,992	\$ 8,883,469	\$ 8,946,192	\$ 9,614,538	\$ 10,031,254	\$ 9,620,169
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
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		\$65,770
National School Lunch Program	10.555		
Cash Assistance			327,898
Non- Cash Assistance (Food Distribution)			49,694
Total National School Lunch Program			<u>377,592</u>
Total U.S. Department of Agriculture			<u>443,362</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		11,179
Total All National School Lunch Program - CFDA #10.555			<u>388,771</u>
Total Child Nutrition Cluster			<u>454,541</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010		407,099
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	\$440,758	440,758
Special Education Preschool Grants	84.173	27,538	27,538
Total Special Education Cluster		<u>468,296</u>	<u>468,296</u>
21st Century Grant	84.287		218,916
English Language Acquisition State Grants	84.365	3,909	3,909
Improving Teacher Quality State Grants	84.367		79,169
Total U.S. Department of Education		<u>472,205</u>	<u>1,177,389</u>
Total Federal Awards Expenditures		<u>\$472,205</u>	<u>\$1,631,930</u>

The accompanying notes are an integral part of this schedule.

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Napoleon Area City School District, Henry County (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 B 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.

NOTE D - 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 E – FOOD DONATION PROGRAM

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



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 Avenue
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, 2016, 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 1, 2017 wherein we noted the District changed its accounting for capital assets due to the results of an appraisal.

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.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 1, 2017



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 THE UNIFORM GUIDANCE

Napoleon Area School District
Henry County
701 Briarheath Avenue
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) *Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of 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, Henry County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

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 the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 1, 2017

**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

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 weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<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 weaknesses in internal control 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
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA #84.010 Special Education Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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**NAPOLEON AREA CITY SCHOOL DISTRICT
HENRY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material weakness due to errors in financial statements due to incorrect classification of net position.	Fully corrected	

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Dave Yost • Auditor of State

NAPOLEON AREA CITY SCHOOL DISTRICT

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 16, 2017**