



OHIO AUDITOR OF STATE  
**KEITH FABER**





**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY  
JUNE 30, 2020**

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**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY  
JUNE 30, 2020**

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## 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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2020, 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 such 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Emphasis of Matters**

As discussed in Note 3 to the financial statements, during 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. In addition, as discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding these matters.

**Other Matters**

*Supplementary Information*

Our audit was conducted to opine on the 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and 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 Information*

We applied no procedures to management's discussion and analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

January 21, 2021

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**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

The management's discussion and analysis of Napoleon Area City School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position of governmental activities increased \$1,948,744 which represents an 8.11 percent increase from 2019's restated net position. See Note 3.A. in the notes to the financial statements for detail on the restatement required for the implementation of GASB Statement No. 84.
- General receipts accounted for \$41,874,811 or 88.36 percent of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and operating and capital grants and contributions accounted for \$5,515,318 or 11.64 percent of total governmental activities cash receipts of \$47,390,129.
- The District had \$45,441,385 in cash disbursements related to governmental activities; only \$5,515,318 of these cash disbursements was offset by program specific charges for services and operating and capital grants and contributions. General receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$41,874,811 were adequate to provide for these programs.
- The District's major governmental funds are the General Fund and the Classroom Facilities Fund. The General Fund had \$23,660,378 in total receipts and other financing sources and \$23,083,924 in total disbursements and other financing uses. During fiscal year 2020, the General Fund's balance increased \$576,454 from a balance of \$16,546,811 to a balance of \$17,123,265.
- The Classroom Facilities Fund had \$49,559 in total receipts and \$38,443 in total disbursements. During fiscal year 2020, the Classroom Facilities Fund's balance increased \$11,116 from \$2,673,120 to \$2,684,236.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net position – cash basis and statement of activities – cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances and a longer-term view of those finances. Fund financial statements provide the next 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 nonmajor funds presented in total in one column. In the case of the District, the General Fund and Classroom Facilities Funds are presented as major funds.

**Basis of Accounting**

The District has elected to present its financial statements on a cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)  
(Continued)

Essentially, the only assets reported on this strictly cash receipts and disbursement basis presentation in a statement of net position – cash basis will be cash and cash equivalents. The statement of activities – cash basis reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the District as a Whole**

*Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis*

The statement of net position – cash basis and the statement of activities – cash basis reflect how the District did financially during fiscal year 2020, within the limitations of cash basis accounting. The statement of net position – cash basis presents the cash balance of the governmental activities of the District at fiscal year-end. The statement of activities – cash basis compares cash disbursements with program cash receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible.

Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program cash receipts. The comparison of cash disbursements with program cash receipts identified how each governmental function draws from the District's general receipts.

These statements report the District's net position and changes in the net position on a cash basis. Factors which contribute to these changes may also include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, mandated federal and state programs, and other factors.

In the statement of net position – cash basis and the statement of activities – cash basis, the governmental activities include the District's programs and services including instruction, support services, operation and maintenance of facilities, pupil transportation, non-instructional services, extracurricular activities, and food service operations.

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

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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 governmental funds are the General Fund and the Classroom Facilities Fund. The information for nonmajor funds (funds whose activities or balances are not large enough to warrant separate reporting) is combined and presented in a single column.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)  
(Continued)

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

***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. The District's fiduciary activity is reported on a separate statement of changes in fiduciary net position – cash basis.

***Notes to the 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.

**The District as a Whole**

The statement of net position – cash basis provides the perspective of the District as a whole. The table below provides a summary of the District's cash basis net position at June 30, 2020 and 2019. The net position at June 30, 2019 has been restated as described in Note 3.A. in the notes to the basic financial statements.

	Governmental Activities 2020	(Restated) Governmental Activities 2019
	2020	2019
<b><u>Assets</u></b>		
Equity in pooled cash and cash equivalents	\$ 25,985,411	\$ 24,036,667
<b><u>Net Position</u></b>		
Restricted	\$ 8,862,146	\$ 7,494,914
Unrestricted	17,123,265	16,541,753
Total net position	\$ 25,985,411	\$ 24,036,667

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)  
(Continued)

The total net position of the District increased \$1,948,744, which represents an 8.11 percent increase from fiscal year 2019's restated net position. A portion of the District's net position, or \$8,862,146, represents resources that are subject to external restriction on how they may be used. Of this amount, \$2,518,554, \$4,665,668, and \$781,999, are restricted for debt service, capital projects, and classroom facilities maintenance, respectively, while the remaining \$895,925 of the restricted net position is restricted for various other purposes, such as food service operations, state and federally funded programs, and student activities. The remaining balance of unrestricted net position of \$17,123,265 may be used to meet the District's ongoing obligations to the students and creditors.

The table below shows the change in net position for fiscal years 2020 and 2019. The net position at June 30, 2019 has been restated as described in Note 3.A. in the notes to the basic financial statements.

	<b>Change in Net Position - Cash Basis</b>	
	Governmental	(Restated) Governmental
	Activities 2020	Activities 2019
<u><b>Cash Receipts</b></u>	<hr/>	<hr/>
Program cash receipts:		
Charges for services and sales	\$ 2,020,346	\$ 1,833,578
Operating grants and contributions	3,429,714	3,351,531
Capital grants and contributions	65,258	88,698
General receipts:		
Property taxes	13,066,619	11,542,448
Grants and entitlements not restricted to specific programs	9,905,152	10,115,276
Payment in lieu of taxes	39,418	27,908
Investment earnings	290,302	421,220
Miscellaneous	261,122	173,725
Premium on bonds sold	1,412,198	
Sale of bonds and refunding bonds	16,900,000	
Total cash receipts	<hr/> 47,390,129 <hr/>	<hr/> 27,554,384 <hr/>

*(Continued)*

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)  
(Continued)

**Change in Net Position - Cash Basis  
(Continued)**

	Governmental Activities 2020	(Restated) Governmental Activities 2019
	<u>2020</u>	<u>2019</u>
<b><u>Cash Disbursements</u></b>		
Instruction:		
Regular	\$ 9,889,768	\$ 9,629,238
Special	4,411,077	4,006,181
Vocational	122,261	152,347
Other	1,785,940	1,651,373
Support services:		
Pupil	1,498,948	1,368,991
Instructional staff	534,819	904,522
Board of education	43,188	46,778
Administration	1,391,912	1,366,645
Fiscal	562,378	468,654
Operations and maintenance	1,749,410	1,710,298
Pupil transportation	1,055,975	1,091,489
Central	197,898	183,014
Operation of non-instructional services:		
Other non-instructional services	80,670	75,772
Food service operations	713,476	784,243
Extracurricular activities	1,202,876	1,152,702
Facilities acquisition and construction	318,165	486,073
Debt service	2,220,725	2,422,573
Payment to refunding bond escrow agent	17,661,899	
Total cash disbursements	<u>45,441,385</u>	<u>27,500,893</u>
Change in net position	1,948,744	53,491
Net position at beginning of year (restated)	24,036,667	23,983,176
Net position at end of year	<u>\$ 25,985,411</u>	<u>\$ 24,036,667</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$1,948,744; total governmental cash disbursements of \$45,441,385 were offset by program cash receipts of \$5,515,318 and general receipts of \$41,874,811. Program cash receipts supported 12.14 percent of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes and unrestricted grants and entitlements. These receipt sources represent 48.47 percent of total governmental receipts. Real estate property is reappraised every six years. Program cash receipts account for 11.64 percent of total governmental cash receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees, extracurricular activities, and food service sales.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)  
(Continued)

During fiscal year 2020, the District saw an increase in charges for services and sales receipts as student managed activities were reclassified as a governmental activity due to the implementation of GASB Statement No. 84. In addition, the District saw a decrease in unrestricted grant receipts due primarily to less foundation funding from the State of Ohio. Property taxes increased due to additional taxes received from the completed Rover Pipeline which runs through the District. The District refunded a portion of its Series 2012 general obligation bonds which contributed to the increase in sale of bonds and refunding bonds and premium on bonds sold.

The largest operating disbursements of the District are for instructional programs, which are programs provided for pupils, instructional staff, operation and maintenance of plant, and pupil transportation, and account for 35.67 percent of all governmental disbursements. During fiscal year 2020, the District saw an increase in extracurricular disbursements as student managed activities were reclassified as a governmental activity due to the implementation of GASB Statement No. 84. In addition, the District refunded a portion of its Series 2012 general obligation bonds which attributed to the majority of the \$17,940,492 increase in disbursements from 2019.

The statement of activities – cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by taxes and unrestricted grants and entitlements. The table below presents a comparison between the total cost of services and the net cost for fiscal years 2020 and 2019.

**Governmental Activities**

	Total Cost of Services 2020	Net Cost of Services 2020	(Restated)	(Restated)
			Total Cost of Services 2019	Net Cost of Services 2019
<b>Cash Disbursements</b>				
Instruction:				
Regular	\$ 9,889,768	\$ 8,641,512	\$ 9,629,238	\$ 8,646,432
Special	4,411,077	2,078,201	4,006,181	1,804,169
Vocational	122,261	80,344	152,347	110,430
Other	1,785,940	1,785,940	1,651,373	1,651,373
Support services:				
Pupil	1,498,948	1,219,406	1,368,991	1,327,589
Instructional staff	534,819	531,181	904,522	898,177
Board of education	43,188	43,188	46,778	46,778
Administration	1,391,912	1,390,754	1,366,645	1,364,787
Fiscal	562,378	555,493	468,654	460,393
Operations and maintenance	1,749,410	1,593,163	1,710,298	1,701,843
Pupil transportation	1,055,975	967,505	1,091,489	573,806
Central	197,898	197,898	183,014	183,014
Operations of non-instructional services:				
Other non-instructional services	80,670	3,114	75,772	2,232
Food service operations	713,476	31,673	784,243	(29,314)
Extracurricular activities	1,202,876	605,906	1,152,702	576,731
Facilities acquisition and construction	318,165	318,165	486,073	486,073
Debt service	2,220,725	2,220,725	2,422,573	2,422,573
Payment to refunding bond escrow agent	17,661,899	17,661,899		
<b>Total cash disbursements</b>	<b>\$ 45,441,385</b>	<b>\$ 39,926,067</b>	<b>\$ 27,500,893</b>	<b>\$ 22,227,086</b>

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)  
(Continued)**

The dependence upon general receipts for governmental activities is apparent; with 87.86 percent of cash disbursements supported through taxes and other general receipts during 2020. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support of the District's students.

**Financial Analysis of the District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds receipts and other financing sources of \$47,766,063 less disbursements and other financing uses of \$45,817,319 contributed to a positive net change in fund balance of \$1,948,744.

The General Fund experienced an increase in fund balance of \$576,454. Overall receipts and other financing sources increased \$974,169 or 4.29 percent. Property taxes increased 13.80 percent from 2019 due to additional taxes being received from the Rover Pipeline running through the District. Earnings on investments decreased 31.08 percent due to decreased interest rates on investments. Intergovernmental receipts decreased 6.31 percent due to a decrease in State foundation funding resulting from the COVID-19 pandemic. Premium on bonds sold increased 100 percent with the partial refunding of the Series 2012 general obligation bonds. All other receipts remained comparable to the previous year. Overall disbursements and other financing uses increased \$445,304 or 1.97 percent. Facilities acquisition and construction increased 368.71 percent from 2019 with improvements made to District facilities. Refunding bond issuance costs increased 100 percent due to the partial refunding of Series 2012 general obligation bonds. All other disbursements remained comparable to the previous year.

The Classroom Facilities Fund experienced an \$11,116 increase in fund balance, as disbursements related to the District's Ohio Facilities Classroom Construction project paid out were less than the investment earnings received in 2020. Earnings on investments decreased 29.21 percent from 2019 due to decreased interest rates on investments. Facilities acquisition and construction decreased 45.71 percent from 2019 due to making final payments related to the District's construction projects, which were completed in a prior fiscal year.

**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 2020, the District amended its General Fund budget as needed.

General Fund final and original budgeted receipts and other financing sources were \$23,768,069 and \$22,682,602, respectively, an increase of \$1,085,467, or 4.79 percent. This increase is primarily due to increasing estimates for property taxes, tuition, contributions and donations, contract services, and premium on bonds sold. Actual receipts and other financing sources of \$23,758,256 were less than final budgeted receipts and other financing sources by \$9,813 (less than 1 percent).

General Fund final appropriations and other financing uses of \$23,875,861 were \$188,337 (less than 1 percent) greater than original budgeted disbursements and other financing uses of \$23,687,524. Actual budgeted disbursements and other financing uses of \$23,508,821 were \$367,040 (1.54 percent) less than final budgeted appropriations and other financing uses.

**Debt Administration**

At June 30, 2020, the District's long-term obligations, which include general obligation bonds, refunding bonds, an energy conservation loan, and capital lease obligations, were \$30,207,789.

At June 30, 2020, the District's overall voted debt margin was \$9,626,192 with an unvoted debt margin of \$408,363.

Refer to Note 10 in the notes to the basic financial statements for additional information on the District's debt.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)  
(Continued)**

**Current Issues Affecting Financial Condition**

The District's facilities are kept in good condition with the use of permanent improvement funds. Approximately \$430,000 per year is generated from the 2 mil continuing levy. This money is used to maintain and make improvements to the District's facilities; to purchase 2 buses per year; and to update technology as needed.

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.

The District's COVID-19 effects have not yet been fully determined, but the State has reduced District funding.

**Contacting the 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 Avenue, Napoleon, Ohio 43545-1298.



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2020

	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in pooled cash and cash equivalents	\$ 25,985,411
<b>Net position</b>	
Restricted for:	
Debt service	\$ 2,518,554
Capital projects	4,665,668
Classroom facilities maintenance	781,999
Food service operations	203,320
State funded programs	283,146
Federally funded programs	17,220
Student activities	360,631
Other purposes	31,608
Unrestricted	17,123,265
Total net position	\$ 25,985,411

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Program Cash Receipts			Governmental Activities	Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions		
<b>Governmental activities</b>					
Instruction:					
Regular	\$ 9,889,768	\$ 963,496	\$ 225,502	\$ 59,258	\$ (8,641,512)
Special	4,411,077	230,807	2,102,069		(2,078,201)
Vocational	122,261		41,917		(80,344)
Other	1,785,940				(1,785,940)
Support services:					
Pupil	1,498,948		279,542		(1,219,406)
Instructional staff	534,819		3,638		(531,181)
Board of education	43,188				(43,188)
Administration	1,391,912		1,158		(1,390,754)
Fiscal	562,378		6,885		(555,493)
Operations and maintenance	1,749,410	3,210	153,037		(1,593,163)
Pupil transportation	1,055,975	1,800	86,670		(967,505)
Central	197,898				(197,898)
Operation of non-instructional services:					
Other non-instructional services	80,670		77,556		(3,114)
Food service operations	713,476	297,753	384,050		(31,673)
Extracurricular activities	1,202,876	523,280	67,690	6,000	(605,906)
Facilities acquisition and construction	318,165				(318,165)
Debt service	2,220,725				(2,220,725)
Payment to refunding bond escrow agent	17,661,899				(17,661,899)
<b>Total governmental activities</b>	<b>\$ 45,441,385</b>	<b>\$ 2,020,346</b>	<b>\$ 3,429,714</b>	<b>\$ 65,258</b>	<b>(39,926,067)</b>
			<b>General receipts</b>		
			Property taxes levied for:		
					10,821,225
					1,792,088
					453,306
					39,418
					Grants and entitlements not restricted
					to specific programs 9,905,152
					Investment earnings 290,302
					Miscellaneous 261,122
					Sale of bonds and refunding bonds 16,900,000
					Premium on bonds sold 1,412,198
					<u>41,874,811</u>
					Change in net position 1,948,744
					Net position at beginning of year (restated) 24,036,667
					<u>\$ 25,985,411</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in pooled cash and cash equivalents	\$ 17,123,265	\$ 2,684,236	\$ 6,177,910	\$ 25,985,411
<b>Fund balances</b>				
Restricted:				
Debt service			\$ 2,518,554	\$ 2,518,554
Capital improvements		\$ 2,684,236	1,981,432	4,665,668
Classroom facilities maintenance			781,999	781,999
Food service operations			203,320	203,320
Student activities			360,631	360,631
Student wellness and success			196,914	196,914
State funded programs			86,232	86,232
Special education			1,754	1,754
Federally funded programs			15,466	15,466
Other purposes			31,608	31,608
Assigned:				
Student instruction	\$ 38,132			38,132
Student and staff support	80,693			80,693
Extracurricular activities	3,798			3,798
Facilities acquisition and construction	211,476			211,476
School supplies	62,950			62,950
Subsequent year appropriations	1,785,050			1,785,050
Other purposes	44,641			44,641
Unassigned	14,896,525			14,896,525
Total fund balances	<u>\$ 17,123,265</u>	<u>\$ 2,684,236</u>	<u>\$ 6,177,910</u>	<u>\$ 25,985,411</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Classroom Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
From local sources:				
Property taxes	\$ 10,821,225		\$ 2,245,394	\$ 13,066,619
Payment in lieu of taxes	37,447		1,971	39,418
Tuition	894,038			894,038
Transportation fees	1,800			1,800
Earnings on investments	290,302	\$ 49,559	31,213	371,074
Charges for services			297,753	297,753
Extracurricular	80,960		423,947	504,907
Classroom materials and fees	74,602			74,602
Rental income	3,210		17,480	20,690
Contributions and donations	76,741		98,420	175,161
Contract services	225,663		893	226,556
Other local receipts	168,781		49,421	218,202
Intergovernmental - state	10,644,133		865,638	11,509,771
Intergovernmental - federal	167,675		1,509,665	1,677,340
<b>Total receipts</b>	<b>23,486,577</b>	<b>49,559</b>	<b>5,541,795</b>	<b>29,077,931</b>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	9,639,365		250,403	9,889,768
Special	3,428,977		982,100	4,411,077
Vocational	122,261			122,261
Other	1,785,940			1,785,940
Support services:				
Pupil	1,409,956		88,992	1,498,948
Instructional staff	525,557		9,262	534,819
Board of education	43,188			43,188
Administration	1,390,458		1,454	1,391,912
Fiscal	516,980		45,398	562,378
Operations and maintenance	1,524,389		225,021	1,749,410
Pupil transportation	969,313		86,662	1,055,975
Central	145,889		52,009	197,898
Operation of non-instructional services:				
Other non-instructional services			80,670	80,670
Food service operations			713,476	713,476
Extracurricular activities	684,700		518,176	1,202,876
Facilities acquisition and construction	260,334	38,443	19,388	318,165
Debt service:				
Principal retirement	226,570		856,879	1,083,449
Interest and fiscal charges	1,046		952,982	954,028
Refunding bond issuance costs	169,624		13,624	183,248
<b>Total disbursements</b>	<b>22,844,547</b>	<b>38,443</b>	<b>4,896,496</b>	<b>27,779,486</b>
Excess of receipts over disbursements	642,030	11,116	645,299	1,298,445
<b>Other financing sources (uses)</b>				
Premium on bonds sold	169,624		1,242,574	1,412,198
Sale of bonds and refunding bonds			16,900,000	16,900,000
Payment to refunding bond escrow agent			(17,661,899)	(17,661,899)
Transfers in	4,177		371,757	375,934
Transfers (out)	(239,377)		(136,557)	(375,934)
<b>Total other financing sources (uses)</b>	<b>(65,576)</b>		<b>715,875</b>	<b>650,299</b>
Net change in fund balances	576,454	11,116	1,361,174	1,948,744
Fund balances at beginning of year (restated)	16,546,811	2,673,120	4,816,736	24,036,667
Fund balances at end of year	\$ 17,123,265	\$ 2,684,236	\$ 6,177,910	\$ 25,985,411

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
From local sources:				
Property taxes	\$ 9,544,000	\$ 10,821,225	\$ 10,821,225	
Payment in lieu of taxes	140,000	37,447	37,447	
Tuition	819,000	893,838	893,838	
Transportation fees	2,000	1,800	1,800	
Earnings on investments	304,902	298,925	289,432	\$ (9,493)
Classroom materials and fees	38,000	29,563	29,563	
Rental income	3,500	3,210	3,210	
Contributions and donations	53,500	74,256	74,256	
Contract services	209,200	225,663	225,663	
Other local receipts	40,500	29,986	29,666	(320)
Intergovernmental - state	11,133,000	10,644,133	10,644,133	
Intergovernmental - federal	185,000	167,675	167,675	
<b>Total receipts</b>	<b>22,472,602</b>	<b>23,227,721</b>	<b>23,217,908</b>	<b>(9,813)</b>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	9,849,048	9,786,024	9,750,731	35,293
Special	3,131,175	3,481,734	3,433,244	48,490
Vocational	169,750	131,771	122,261	9,510
Other	1,692,000	1,795,000	1,787,440	7,560
Support services:				
Pupil	1,338,731	1,414,027	1,411,223	2,804
Instructional staff	520,184	572,065	525,604	46,461
Board of education	52,150	52,150	43,188	8,962
Administration	1,458,876	1,434,680	1,403,630	31,050
Fiscal	596,375	539,875	520,655	19,220
Operations and maintenance	1,830,487	1,650,448	1,549,602	100,846
Pupil transportation	1,148,008	997,747	969,917	27,830
Central	153,484	160,532	145,930	14,602
Extracurricular activities	628,500	650,034	636,970	13,064
Facilities acquisition and construction	439,032	472,234	471,809	425
Debt service:				
Principal retirement	226,570	226,570	226,570	
Interest and fiscal charges	1,046	1,046	1,046	
Bond issuance costs		169,624	169,624	
<b>Total disbursements</b>	<b>23,235,416</b>	<b>23,535,561</b>	<b>23,169,444</b>	<b>366,117</b>
Excess of receipts over (under) disbursements	(762,814)	(307,840)	48,464	356,304
<b>Other financing sources (uses)</b>				
Refund of prior year disbursements	20,000	127,432	127,432	
Transfers in	100,000	104,177	104,177	
Transfers (out)	(355,300)	(340,300)	(339,377)	923
Contingencies	(96,808)			
Sale of assets	90,000	139,115	139,115	
Premium on bonds sold		169,624	169,624	
<b>Total other financing sources (uses)</b>	<b>(242,108)</b>	<b>200,048</b>	<b>200,971</b>	<b>923</b>
Net change in fund balance	(1,004,922)	(107,792)	249,435	357,227
Fund balance at beginning of year	16,327,841	16,327,841	16,327,841	
Prior year encumbrances appropriated	104,299	104,299	104,299	
<b>Fund balance at end of year</b>	<b>\$ 15,427,218</b>	<b>\$ 16,324,348</b>	<b>\$ 16,681,575</b>	<b>\$ 357,227</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Custodial</u>
<b>Additions</b>	
Extracurricular collections for OHSAA	\$ 50,630
<b>Deductions</b>	
Extracurricular distributions to OHSAA	\$ (50,630)
Change in net position	
Net position at beginning of year (restated)	<u>                    </u>
Net position at end of year	<u><u>                    </u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 – REPORTING ENTITY**

Napoleon Area City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by 3311.02 of Ohio Revised Code. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services to residents of the District as authorized by state and federal guidelines.

The District is staffed by 89 classified employees, 154 certified teaching personnel, and 13 administrators who provide services to 2,070 students and other community members. The Board of Education oversees the operations of the District's three instructional and support facilities.

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

**A. Primary Government**

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

**B. Component Units**

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; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations for which the District authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose financial burdens on the District. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**C. Other Organizations**

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.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)**

The District participates in four jointly governed organizations and three group purchasing pools, and is associated with a related organization. These organizations include the Northwest Ohio Computer Association (NWOCA), Northern Buckeye Education Council, Four County Career Center, the State Support Team Region 1, Northern Buckeye Health Plan Northwest Division of Optimal Health Initiative Consortium Insurance Benefits Program, Northern Buckeye Health Plan Workers' Compensation Group Rating Plan, the Schools of Ohio Risk Sharing Authority, and the Napoleon Public Library. These organizations are presented in Notes 17, 18, and 19 to the basic financial statements.

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

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

As discussed further in the Basis of Accounting section of this note, (Note 2.C.), these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

**A. Basis of Presentation**

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

*Government-Wide Financial Statements* – The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**B. Fund Accounting**

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

**GOVERNMENTAL FUNDS**

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

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

*Classroom Facilities Fund* – The Classroom Facilities Fund is used to account for and report financial resources that are restricted to disbursements related to the District's construction project with the Ohio Facilities Construction Commission.

The other governmental funds of the District account for and report grants and other resources whose use is restricted, committed, or assigned 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 (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District's only custodial fund accounts for funds collected and distributed to the Ohio High School Athletic Association (OHSAA). The District does not have any pension trust funds, private purpose trust funds, or investment trust funds.

**C. Basis of Accounting**

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)**

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

**D. Budgetary Process**

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

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

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

**E. Cash and Investments**

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

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

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

During fiscal year 2020, the District invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio, is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its 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, 2020  
(Continued)**

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 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 receipts credited to the General Fund during fiscal year 2020 amounted to \$290,302, which includes \$47,000 assigned from other funds.

**F. Restricted Assets**

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

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

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 13 and 14, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

**K. Long-Term Obligations**

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as cash when received and payment of principal and interest are reported as disbursements when paid. The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**L. Net Position**

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

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

**M. Budget Stabilization**

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. 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, 2020, the balance in the budget stabilization reserve was \$252,152. This amount is included in unassigned fund balance of the General Fund and in unassigned net position on the statement of net position.

**N. Fund Balance**

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

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

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

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 or a District official designated by that authority by resolution or by State statute. State statute authorizes the District’s Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated.

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

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

**O. Intfund Activity**

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

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

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

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Fund Balances/Restatement of Net Position**

For fiscal year 2020, the District has implemented GASB Statement No. 84 “Fiduciary Activities” (and related guidance from (GASB) Implementation Guide No. 2019-2 “Fiduciary Activities”) and GASB Statement No. 90 “Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61”.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed its private purpose trust and agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District’s financial statements.

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GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 84. The governmental activities at June 30, 2019 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 23,808,804
GASB Statement No. 84	227,863
Restated net position at June 30, 2019	\$ 24,036,667

A fund balance restatement is required in order to implement GASB Statement No 84. The June 30, 2019 fund cash balances have been restated as follows:

	General Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Fund balance				
previously reported	\$ 16,546,811	\$ 2,673,120	\$ 4,588,873	\$ 23,808,804
GASB Statement No. 84			227,863	227,863
Restated fund balance at June 30, 2019	\$ 16,546,811	\$ 2,673,120	\$ 4,816,736	\$ 24,036,667

Due to the implementation of GASB Statement No. 84, the new classification of Custodial Funds is reporting a zero beginning cash position. Also related to the implementation of GASB Statement No. 84, the District will no longer be reporting Private Purpose Trust Funds or Agency Funds. At June 30, 2019, Private Purpose Trust Funds and Agency Funds reported cash position of \$5,010 and \$222,853, respectively.

**B. Compliance**

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

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**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years after the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain banker's acceptance (for a period not to exceed one-hundred-eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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(Continued)

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

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

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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the institution.

**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".

**B. Deposits**

At June 30, 2020, the carrying amount of all District deposits was \$17,878,723. Of the District's bank balance of \$18,086,676, \$12,344,279 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$5,742,397 was covered by pooled collateral through the Ohio Pooled Collateral System (OPCS).

Although all statutory requirements 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, 2020, the District had the following investment and maturity:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 8,106,388	\$ 8,106,388

*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 rating service. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

*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, 2020:

<u>Investment Type</u>	<u>Cost Value</u>	<u>% of Total</u>
STAR Ohio	\$ 8,106,388	100.00%



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(Continued)

**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, 2020:

<u>Cash and Investments Per Note</u>	
Carrying amount of deposits	\$ 17,878,723
Investments	8,106,388
Cash on hand	<u>300</u>
 Total	 <u>\$ 25,985,411</u>
 <u>Cash and Investments Per Statement of Net Position - Cash Basis</u>	
Governmental activities	<u>\$ 25,985,411</u>

**NOTE 5 – INTERFUND TRANSACTIONS**

Interfund transfers for the fiscal year 2020 consisted of the following, as reported on the fund statements:

<u>Transfers from the General Fund to:</u>	<u>Amount</u>
Nonmajor Governmental Funds:	
Building Fund	\$ 185,200
Education Management Information Systems Fund	50,000
Permanent Improvement Fund	4,177
 <u>Transfers from Nonmajor Miscellaneous Federal Grants Fund to:</u>	
General Fund	4,177
 <u>Transfers from Nonmajor Permanent Improvement Fund to:</u>	
Nonmajor Governmental Fund:	
OSFC Project Maintenance Fund	<u>132,380</u>
 Total Transfers	 <u>\$ 375,934</u>

Transfers are used to move receipts 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 receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer into the OSFC Project Maintenance Fund is an annual requirement under the District’s Ohio Facilities Construction Commission (OFCC) project agreement. The transfer from the Miscellaneous Federal Grants Fund to the General Fund was to close out the asbestos grant. Interfund transfers between governmental funds are eliminated on the government-wide financials statements.

**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.

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Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair 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 2020 represent the collection of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, 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, 2020, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second		2020 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential	\$ 279,233,330	79.59	\$ 279,893,420	68.53
Industrial/commercial	51,232,730	14.60	51,054,820	12.50
Public utility	<u>20,393,110</u>	<u>5.81</u>	<u>77,483,050</u>	<u>18.97</u>
Total	<u>\$ 350,859,170</u>	<u>100.00</u>	<u>\$ 408,431,290</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 58.90		\$ 58.90	

**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.

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**NOTE 8 – TAX ABATEMENTS**

**Enterprise Zones**

The Henry County Commissioners, the Community Improvement Corporation of Henry County, and the Maumee Valley Planning Organization entered into property tax abatement agreements with local businesses under Enterprise Zone tax abatement agreements. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by \$101,713 during fiscal year 2020.

**NOTE 9 – CAPITAL LEASES – LESSEE DISCLOSURE**

During fiscal year 2020 and in prior fiscal years, the District has entered into 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 disbursements in the Permanent Improvement Fund. At inception, the computer leases were accounted for as instructional staff disbursements in the General and Permanent Improvement Funds. Capital lease payments are shown as debt service disbursements in the General and Permanent Improvement Funds. Principal payments made during fiscal year 2020 totaled \$121,675 for the buses and \$242,083 for computer equipment.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 372,267
2022	<u>176,547</u>
Total minimum lease payments	548,814
Less: amount representing interest	<u>(28,980)</u>
Total	<u><u>\$ 519,834</u></u>

**NOTE 10 – LONG-TERM OBLIGATIONS**

A. During the year ended June 30, 2020, the following changes occurred in the District’s debt obligations:

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	<u>Balance</u> <u>06/30/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/20</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds, series 2012	\$ 29,485,000		\$ (16,740,000)	\$ 12,745,000	\$ 550,000
General obligation bonds, series 2020A		\$ 700,000		700,000	50,000
General obligation refunding bonds, series 2020B:					
Current interest bonds		16,065,000		16,065,000	330,000
Capital appreciation bonds		135,000		135,000	
Accreted interest		6,447		6,447	
Total general obligation bonds	<u>29,485,000</u>	<u>16,906,447</u>	<u>(16,740,000)</u>	<u>29,651,447</u>	<u>930,000</u>
Energy conservation loan	216,199		(179,691)	36,508	36,508
Capital lease obligations	<u>378,615</u>	<u>504,977</u>	<u>(363,758)</u>	<u>519,834</u>	<u>351,640</u>
Total debt obligations	<u>\$ 30,079,814</u>	<u>\$ 17,411,424</u>	<u>\$ (17,283,449)</u>	<u>\$ 30,207,789</u>	<u>\$ 1,318,148</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 and consisted of \$3,540,000 in serial bonds and \$27,260,000 in term bonds.

On March 11, 2020, \$16,200,000 of the Series 2012 general obligations bonds were advance refunded with the issuance of the Series 2020B refunding bonds. The balance of the refunded bonds at June 30, 2020 is \$16,200,000. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

As of June 30, 2020, \$12,745,000 of the Series 2012 general obligation bonds are outstanding.

<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2020	\$ 550,000	2.25%
2021	560,000	2.50%
2022	575,000	2.50%

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

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

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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 stated maturity and payable pursuant to 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 stated maturity and payable pursuant to Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

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

The term bonds which mature on December 1, 2032, have an interest rate of 3.5 percent per year, and are subject to mandatory sinking fund redemption prior to stated maturity and payable pursuant to 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, 2041, have an interest rate of 3.75 percent per year, and are subject to mandatory sinking fund redemption prior to stated maturity and payable pursuant to 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

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

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

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond issuance are recorded as expenditures in the debt service fund.

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

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

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

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond issuance are recorded as expenditures in the debt service fund.

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

**E. 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 September 10, 2020.

Capital Leases Payable – Refer to Note 9 to the notes to the basic financial statements for detail on the capital lease obligations.

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

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Fiscal Year Ended	General Obligation Bonds			Capital Appreciation Bonds, Series 2020B		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 930,000	\$ 781,712	\$ 1,711,712			
2022	770,000	899,515	1,669,515			
2023	800,000	881,780	1,681,780			
2024	820,000	863,293	1,683,293			
2025	835,000	848,768	1,683,768			
2026 - 2030	4,475,000	3,917,403	8,392,403			
2031 - 2035	2,450,000	3,249,350	5,699,350	\$ 135,000	\$ 2,090,000	\$ 2,225,000
2036 - 2040	5,090,000	2,777,393	7,867,393			
2041 - 2045	6,090,000	1,805,601	7,895,601			
2046 - 2049	7,250,000	721,826	7,971,826			
<b>Total</b>	<b>\$ 29,510,000</b>	<b>\$ 16,746,641</b>	<b>\$ 46,256,641</b>	<b>\$ 135,000</b>	<b>\$ 2,090,000</b>	<b>\$ 2,225,000</b>

Fiscal Year Ended	Energy Conservation Loan		
	Principal	Interest	Total
2021	\$ 36,508	\$ 222	\$ 36,730

**G. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$9,626,192 (including available Debt Service Funds of \$2,518,554) and an unvoted debt margin of \$408,363.

**NOTE 11 – RISK MANAGEMENT**

**A. Comprehensive**

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

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Property (building & contents)	\$ 73,056,611
Equipment Breakdown (all members)	300,000,000
Automobile Liability	15,000,000
Educators' Legal Liability	15,000,000
Crime Coverage	1,000,000
General Liability:	
Per Occurrence	15,000,000
General Annual Aggregate	17,000,000

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

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Program), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties and other governmental entities (see Note 18.A.). The District pays monthly premiums to the Program for the benefits offered to its employees, which includes health, dental, vision and life insurance. Monthly premiums for life insurance are paid to American United Life Insurance. NBHP is responsible for the management and operations of the Program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Health Plan (NBHP) OHI Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (see Note 18.B.). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The Plan is governed by NBHP and the governing members of the Plan. The Executive Director of the NBHP coordinates the management and administration of the program.

**NOTE 12 – COMPENSATED ABSENCES**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Administrators/Supervisors, Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 5 to 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 percent of the accumulated sick leave to a maximum of 52.5 days.



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

**Service Retirement Recognition Stipend** – Certified Bargaining Unit Members who first become eligible to retire from the District with unreduced benefits, who have at least ten years of service, who complete all scheduled 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.

Confidential personnel with greater than ten years of experience at the District may receive \$175 per year of service at retirement. Administrators/supervisors with a minimum of 5 years of experience are eligible for \$1,000 per year of service not to exceed \$10,000 in total.

**NOTE 13 – DEFINED BENEFIT PENSION PLANS**

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

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

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

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

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

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

The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

***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, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to 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; or 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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

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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 fiscal year ended June 30, 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$390,536 for fiscal year 2020.

***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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes to DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$1,420,516 for fiscal year 2020.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2019, 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:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.07761350%	0.08317892%	
Proportion of the net pension liability current measurement date	<u>0.08185240%</u>	<u>0.08356408%</u>	
Change in proportionate share	<u>0.00423890%</u>	<u>0.00038516%</u>	
Proportionate share of the net pension liability	\$ 4,897,373	\$ 18,479,694	\$ 23,377,067

***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.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Inflation	3 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investment expenses, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced 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:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** – The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 6,862,970	\$ 4,897,373	\$ 3,248,973

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Discount rate of return	7.45 percent
Payroll increases	3.00 percent, effective July 1, 2017
Cost-of-living adjustments (COLA)	0.00 percent

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Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. 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. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

**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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

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	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 27,006,014	\$ 18,479,694	\$ 11,261,727

**NOTE 14 – DEFINED BENEFIT OPEB PLANS**

See Note 13 for a description of the net OPEB liability.

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

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. 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 2020, the District's surcharge obligation was \$51,389.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$51,389 for fiscal year 2020.



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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.07887160%	0.08317892%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.08391840%</u>	<u>0.08356408%</u>	
Change in proportionate share	<u>0.00504680%</u>	<u>0.00038516%</u>	
Proportionate share of the net OPEB liability (asset)	\$ 2,110,371	\$ (1,384,022)	\$ 726,349

***Actuarial Assumptions – SERS***

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

Inflation	3.00 percent
Wage increases	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investment expenses, including inflation
Municipal bond index rate:	
Measurement date	3.13 percent
Prior measurement date	3.62 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22 percent
Prior measurement date	3.70 percent
Medical trend assumption:	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** – The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	District's proportionate share of the net OPEB liability	\$ 2,561,590	\$ 2,110,371

  

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
	District's proportionate share of the net OPEB liability	\$ 1,690,835	\$ 2,110,371

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Discounted rate of return	7.45 percent
Health care cost trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

\*\*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** – The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** – The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB (asset)	\$ (1,180,987)	\$ (1,384,022)	\$ (1,554,726)
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB (asset)	\$ (1,569,417)	\$ (1,384,022)	\$ (1,156,957)

**NOTE 15 – SET-ASIDE REQUIREMENTS**

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

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$
Current year set-aside requirement	349,362
Current year offsets	<u>(500,937)</u>
Total	<u>\$ (151,575)</u>
Balance carried forward to fiscal year 2021	<u><u>\$</u></u>

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

**NOTE 16 – BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operation, and changes in fund balance on the cash basis, 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 Receipts, Disbursements and Change in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are as follows:

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

Adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the General Fund is as follows:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 249,435
Funds budgeted elsewhere **	26,603
Adjustment for encumbrances	<u>300,416</u>
Cash basis	<u><u>\$ 576,454</u></u>

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members.

The NWOCA Assembly consists of a superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the six counties in which the member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. All payments made by the District for services received are made to the Northern Buckeye Education Council. Total disbursements made by the District to NWOCA during this fiscal year were \$109,840. Financial information can be obtained from Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid \$250 to NBEC during this fiscal year for a membership fee. To obtain financial information write to the Northern Buckeye Education Council, Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center – one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city districts; and one representative from each of the exempted village districts. The Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to Four County Career Center amounted to \$385 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.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**D. State Support Team Region 1**

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

**NOTE 18 – GROUP PURCHASING POOLS**

**A. Employee Insurance Benefits Program**

The District participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Plan). NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Revised Code § 9.833. The Plan is a public entity shared risk pool consisting of educational entities throughout the State. The Plan is governed by OHI and its participating members. Total disbursements made by the District of \$2,809,255 to Northern Buckeye Health Plan, Northwest Division of OHI for employee insurance benefits during this fiscal year. Financial information for the period can be obtained from Charlie LeBoeuf, Treasurer, at 201 East 5<sup>th</sup> Street, Suite 2100, Cincinnati, Ohio 45202.

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

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

OHI has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District's enrollment fee of \$212 was used to cover the costs of administering the program.



**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)**

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

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-Profit Corporations and functioning under authority granted by § 2744.081 of the Ohio Revised Code. SORSA’s purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons that might result in claims being made against members of SORSA, their employees or officers. The District paid \$96,604 for these services to SORSA in fiscal year 2020.

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of superintendents, treasurers, or business managers from the participating school districts. The District works with Frost Insurance Agency Inc., a local agent, as a liaison between SORSA and the District. SORSA employs an Executive Director, Program Manager, Risk Control Manager, and Claims Manager. Claims are handled in-house by Claims Manager Gre Gilliam. Additional information can be obtained from SORSA, 555 Metro Place North, Suite 645, Dublin, Ohio 43017 or by calling 866-767-7299.

**NOTE 19 – RELATED ORGANIZATION**

**Napoleon Public Library**

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

**NOTE 20 – CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is 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.

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**C. School Foundation**

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year-end. As of the date of this report, FTE Statement No. 2 was made on November 27, 2020 and resulted in the District being owed \$377 from ODE. This amount is not recorded on the financial statements.

**D. COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District’s investments of the pension and other employee benefit plans in which the District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District’s future operating costs, revenues, and any recovery from emergency funding, either Federal or State, cannot be estimated.

**NOTE 21 – OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be report 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 Fund	\$ 302,698
Nonmajor Governmental Funds	<u>85,908</u>
Total	<u>\$ 388,606</u>

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Provided Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553		\$48,571
COVID-19 School Breakfast Program	10.553		20,578
Total School Breakfast Program			<u>69,149</u>
National School Lunch Program			
Cash Assistance	10.555		220,291
Non-Cash Assistance (Food Distribution)	10.555		41,719
COVID-19 National School Lunch Program	10.555		49,828
Total National School Lunch Program			<u>311,838</u>
Total Child Nutrition Cluster			<u>380,987</u>
Total U.S. Department of Agriculture			<u>380,987</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies - FY 19	84.010		53,401
Title I Grants to Local Educational Agencies - FY 20	84.010		274,266
Total Title I Grants to Local Educational Agencies			<u>327,667</u>
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	\$461,715	470,792
Special Education Preschool Grants	84.173	18,009	18,009
Total Special Education Cluster		<u>479,724</u>	<u>488,801</u>
English Language Acquisition State Grants	84.365	2,215	2,215
Supporting Effective Instruction State Grants - FY 19	84.367		3,616
Supporting Effective Instruction State Grants - FY 20	84.367		53,952
Total Supporting Effective Instruction State Grants			<u>57,568</u>
Student Support and Academic Enrichment Program - FY 19	84.424		1,684
Student Support and Academic Enrichment Program - FY 20	84.424		25,627
Total Student Support and Academic Enrichment Program			<u>27,311</u>
COVID-19 Education Stabilization Fund	84.425		240,492
Total U.S. Department of Education		<u>481,939</u>	<u>1,144,054</u>
<b>Total Expenditures of Federal Awards</b>		<b><u>\$481,939</u></b>	<b><u>\$1,525,041</u></b>

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

**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Napoleon Area City School District, Henry County, Ohio (the District) under programs of the federal government for the year ended June 30, 2020. 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 or changes in net position of the District.

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

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D – SUBRECIPIENTS**

The District passes certain federal awards received from the Ohio Department of Education (ODE) 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 E – CHILD NUTRITION CLUSTER**

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

**NOTE F – FOOD DONATION PROGRAM**

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

**NOTE G – TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2020 to 2021 programs:

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, 2020  
(Continued)

NOTE G – TRANSFERS BETWEEN PROGRAM YEARS – (Continued)

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$18,684
Special Education Grants to States	84.027A	464
Supporting Effective Instruction State Grants	84.367	4,994
Student Support and Academic Enrichment Program	84.424	1,959

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**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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Napoleon Area City School District, Henry County, Ohio (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 21, 2021, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 financial statement. 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

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

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

January 21, 2021





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

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

To the Board of Education:

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

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 Napoleon Area City School District’s major federal programs for the year ended June 30, 2020. 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.

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in finding 2020-002 in the accompanying schedule of findings, the District did not comply with requirements regarding procurement and suspension and debarment applicable to its Child Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, Napoleon Area City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster for the year ended June 30, 2020.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, Napoleon Area City School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2020.

***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's compliance requirement will not be prevented, or timely detected or corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2020-002.

Napoleon Area City School District  
Henry County  
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  
Page 3

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

January 21, 2021

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**NAPOLEON AREA CITY SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020**

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

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

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

**FINDING NUMBER 2020-001**

**Noncompliance Citation**

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

**Ohio Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

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

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

**Officials' Response:**

See Corrective Action Plan

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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**Child Nutrition Cluster – Procurement and Suspension and Debarment**

<b>Finding Number:</b>	<b>2020-002</b>
<b>CFDA Number and Title:</b>	<b>CFDA # 10.553 and 10.555 Child Nutrition Cluster</b>
<b>Federal Award Identification Number / Year:</b>	<b>2020</b>
<b>Federal Agency:</b>	<b>U.S. Department of Agriculture</b>
<b>Compliance Requirement:</b>	<b>Procurement and Suspension and Debarment</b>
<b>Pass-Through Entity:</b>	<b>Ohio Department of Education</b>
<b>Repeat Finding from Prior Audit?</b>	<b>No</b>

**Noncompliance and Material Weakness**

**2 CFR § 400.1** gives regulatory effect to the Ohio Department of Education for **2 CFR § 180.300** which indicates Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. **2 CFR § 180.220** of the government wide non-procurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transactions with that entity.

Due to a lack of policies and procedures over reviewing suspension and debarment for the District's two vendors whose federal disbursements exceeded \$25,000, no verification evidence was maintained by the District that Arp's Dairy was not suspended or debarred. Failure to properly check the EPLS or maintain other evidence may result in the District conducting business with suspended or debarred vendors.

We subsequently determined the vendor was not suspended or debarred and was eligible for federal funds.

The District should have procedures in place to verify a qualifying vendor is not suspended or debarred prior to entering into a contract when disbursing \$25,000 or more in federal funds, by either checking the EPLS, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with the vendor.

**Officials' Response:**

See Corrective Action Plan

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR 200.511(b)**  
**JUNE 30, 2020**

Finding Number	Finding Summary	Status	Additional Information
2019-001	This finding was first reported in 2018. Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	Not corrected and reissued as Finding 2020-001 in this report.	This finding reoccurred since management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient. The District will continue to report on an OCBOA (Other Comprehensive Basis of Accounting) basis for future audits.

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

**#ALLINAPOLEON**



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**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2020**

<b>Finding Number:</b>	2020-001
<b>Planned Corrective Action:</b>	Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient. The District will continue to report on an OCBOA (Other Comprehensive Basis of Accounting) basis for future audits.
<b>Anticipated Completion Date:</b>	N/A
<b>Responsible Contact Person:</b>	Michael Bostelman, Treasurer
<b>Finding Number:</b>	2020-002
<b>Planned Corrective Action:</b>	The Food Service Director will implement procedures to ensure that qualified vendors who receive over \$25,000 of federal funds have not been suspended or debarred.
<b>Anticipated Completion Date:</b>	June 30, 2021
<b>Responsible Contact Person:</b>	Michael Bostelman, Treasurer



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# OHIO AUDITOR OF STATE KEITH FABER



**NAPOLEON AREA CITY SCHOOL DISTRICT**

**HENRY COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/9/2021**

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

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