



Mary Taylor, CPA  
Auditor of State



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**TABLE OF CONTENTS**

| <b>TITLE</b>  | <b>PAGE</b> |
|---|-------------|
| Independent Accountants' Report .....   | 1           |
| Management's Discussion and Analysis .....  | 3           |
| Basic Financial Statements:   |             |
| Government-Wide Financial Statements:   |             |
| Statement of Net Assets – Cash Basis .....  | 11          |
| Statement of Activities – Cash Basis .....  | 12          |
| Fund Financial Statements:  |             |
| Statement of Assets and Fund Balances – Cash Basis – Governmental Funds.....  | 13          |
| Statement of Cash Receipts, Disbursements and Changes<br>In Fund Balances – Cash Basis – Governmental Funds.....  | 14          |
| Statement of Receipts, Disbursements, and Changes<br>In Fund Balance - Budget and Actual – Budget Basis<br>General Fund .....   | 15          |
| Statement of Fiduciary Assets and Liabilities – Cash Basis – Fiduciary Fund .....   | 16          |
| Statement of Changes in Fiduciary Net Assets – Cash Basis – Fiduciary Fund.....   | 17          |
| Notes to the Basic Financial Statements .....   | 19          |
| Schedule of Federal Awards Expenditures .....   | 41          |
| Notes to the Schedule of Federal Awards Expenditures.....   | 42          |
| Independent Accountants' Report on Internal Control Over<br>Financial Reporting and On Compliance and Other Matters<br>Required By <i>Government Auditing Standards</i> . .....                   | 43          |
| Independent Accountants' Report on Compliance with Requirements Applicable<br>to Each Major Federal Program and On Internal Control Over<br>Compliance in Accordance with OMB Circular A-133..... | 45          |
| Schedule of Findings.....   | 47          |
| Schedule of Prior Audit Findings .....  | 53          |

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

National Trail Local School District  
Preble County  
6940 Oxford-Gettysburg Road  
New Paris, Ohio 45347

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the National Trail Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2007. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

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 National Trail Local School District, Preble County, Ohio as of June 30, 2007, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires presenting a federal awards receipts and expenditure schedule and is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

March 21, 2008

**National Trail Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

---

The discussion and analysis of National Trail Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007, within the limitations of the School District's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2007 are as follows:

- In total, net assets increased \$192,045 which represents a 22.8 percent increase from fiscal year 2006.
- General receipts accounted for \$10,587,797 or 85.1 percent of all receipts. Program specific receipts in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,851,087 or 14.9 percent of total receipts of \$12,438,884.
- The School District had \$12,246,839 in disbursements; only \$1,851,087 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts (primarily taxes and entitlements) were \$10,587,797, which were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,116,861 in receipts and \$8,888,984 in disbursements. The General Fund's balance increased \$191,857 over fiscal year 2006.

### **Using this Annual Financial Report**

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

#### *Report Components*

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

**National Trail Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

---

The Notes to the Basic Financial Statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the statements.

*Basis of Accounting*

The basis of accounting is a set of guidelines that determines when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the School District as a Whole**

*Statement of Net Assets and Statement of Activities – Cash Basis*

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during fiscal year 2007, within the limitations of cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program cash receipts for each governmental program. 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 identifies how each governmental program draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property and income taxes.



**National Trail Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

---

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

*Fund Financial Statements*

Fund financial statements provide detailed information about the School District's major funds, not the School District as a whole. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

*Governmental Funds*

The School 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 fiscal year-end available for spending in future periods. These funds are reported on a cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2007 compared to fiscal year 2006 on a cash basis:

Table 1  
Net Assets

|                         | 2007        | 2006      | Change    |
|-------------------------|-------------|-----------|-----------|
| <b>Assets</b>           |             |           |           |
| Current Assets          | \$1,034,237 | \$842,192 | \$192,045 |
| <b>Net Assets</b>       |             |           |           |
| Restricted              | 651,820     | 686,903   | (35,083)  |
| Unrestricted            | 382,417     | 155,289   | 227,128   |
| <i>Total Net Assets</i> | \$1,034,237 | \$842,192 | \$192,045 |

Total net assets of governmental activities increased by \$192,045, due to an increase in income tax receipts. The School District began collecting an additional three-fourths percent income tax in January of 2006 and fiscal year 2007 was the first full fiscal year of collections.

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2007 and 2006.

**National Trail Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

Table 2  
Changes in Net Assets

|  | 2007               | 2006              | Change             |
|--|--------------------|-------------------|--------------------|
| <b>Receipts</b>  |                    |                   |                    |
| Program Receipts:  |                    |                   |                    |
| Charges for Services   | \$602,914          | \$474,480         | \$128,434          |
| Operating Grants and Contributions                             | 1,233,502          | 1,226,270         | 7,232              |
| Capital Grants and Contributions                               | 14,671             | 21,648            | (6,977)            |
| <i>Total Program Receipts</i>                                  | <u>1,851,087</u>   | <u>1,722,398</u>  | <u>128,689</u>     |
| General Receipts:  |                    |                   |                    |
| Property Taxes   | 2,490,123          | 2,534,992         | (44,869)           |
| Income Tax   | 1,515,465          | 987,714           | 527,751            |
| Grants and Entitlements not Restricted to<br>Specific Programs | 4,777,884          | 4,726,675         | 51,209             |
| Investment Earnings  | 30,601             | 10,305            | 20,296             |
| Gifts and Donations  | 41,238             | 3,952             | 37,286             |
| Refunding Bonds Issued   | 1,600,000          | 0                 | 1,600,000          |
| Notes Issued   | 0                  | 319,226           | (319,226)          |
| Premium on Refunding Bonds Issued                              | 103,765            | 0                 | 103,765            |
| Miscellaneous  | 28,721             | 26,367            | 2,354              |
| <i>Total General Receipts</i>                                  | <u>10,587,797</u>  | <u>8,609,231</u>  | <u>1,978,566</u>   |
| <i>Total Receipts</i>  | <u>12,438,884</u>  | <u>10,331,629</u> | <u>2,107,255</u>   |
| <b>Program Disbursements</b>                                   |                    |                   |                    |
| Instruction:   |                    |                   |                    |
| Regular  | 4,331,481          | 4,259,599         | 71,882             |
| Special  | 1,302,772          | 1,310,488         | (7,716)            |
| Vocational   | 259,733            | 246,157           | 13,576             |
| Adult Continuing   | 10,929             | 11,758            | (829)              |
| Support Services:  |                    |                   |                    |
| Pupils   | 555,979            | 498,575           | 57,404             |
| Instructional Staff  | 375,980            | 337,489           | 38,491             |
| Board of Education   | 44,731             | 41,427            | 3,304              |
| Administration   | 755,668            | 761,230           | (5,562)            |
| Fiscal   | 252,276            | 189,378           | 62,898             |
| Operation and Maintenance of Plant                             | 841,556            | 811,268           | 30,288             |
| Pupil Transportation   | 703,851            | 605,424           | 98,427             |
| Central  | 101,563            | 83,503            | 18,060             |
| Operation of Non-Instructional Services                        | 391,448            | 351,418           | 40,030             |
| Extracurricular Activities                                     | 315,451            | 213,080           | 102,371            |
| Capital Outlay   | 0                  | 158,823           | (158,823)          |
| Principal Retirement   | 1,765,706          | 156,807           | 1,608,899          |
| Current Refunding  | 0                  | 207,226           | (207,226)          |
| Interest and Fiscal Charges                                    | 194,252            | 176,814           | 17,438             |
| Issuance Costs   | 43,463             | 0                 | 43,463             |
| <i>Total Disbursements</i>                                     | <u>12,246,839</u>  | <u>10,420,464</u> | <u>\$1,826,375</u> |
| <i>Change in Net Assets</i>                                    | 192,045            | (88,835)          |                    |
| <i>Net Assets at Beginning of Year</i>                         | 842,192            | 931,027           |                    |
| <i>Net Assets at End of Year</i>                               | <u>\$1,034,237</u> | <u>\$842,192</u>  |                    |

**National Trail Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

---

**Governmental Activities**

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 20 percent of receipts for governmental activities for the National Trail Local School District for fiscal year 2007. Grants and entitlements not restricted to specific programs made up 38.4 percent of receipts for governmental activities of the School District for fiscal year 2007. Operating grants and contributions and grants and entitlements not restricted to specific programs increased due to an increase in the average daily membership and a slight increase in State funding.

Income tax receipts were \$1,515,465 for fiscal year 2007, up \$527,751 from fiscal year 2006. This increase was the result of fiscal year 2007 being the first full year of collections for the additional three-fourths percent levy.

Instruction comprises 48.2 percent of School District disbursements and increased less than two percent from fiscal year 2006. Support services disbursements make up 29.7 percent of the disbursements and increased 9.1 percent from fiscal year 2006. The majority of this increase was in pupil transportation caused by higher fuel prices and the purchase of a bus.

During fiscal year 2005 the School District did not offer many of the extracurricular activities due to funding limitations. During fiscal year 2006 the School District offered more extracurricular activities and during fiscal year 2007 all extracurricular activities were fully reinstated, which resulted in the increase in charges for services and disbursements for extracurricular activities.

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services comparing fiscal years 2007 and 2006. That is, it identifies the cost of those services supported by tax receipts and unrestricted State entitlements.

**National Trail Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

Table 3  
Governmental Activities

|   | Total Cost of<br>Services 2007 | Net Cost of<br>Services 2007 | Total Cost of<br>Services 2006 | Net Cost of<br>Services 2006 |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| <b>Instruction:</b>                     |                                |                              |                                |                              |
| Regular                                 | \$4,331,481                    | (\$4,149,897)                | \$4,259,599                    | (\$4,074,863)                |
| Special                                 | 1,302,772                      | (565,373)                    | 1,310,488                      | (589,106)                    |
| Vocational                              | 259,733                        | (218,292)                    | 246,157                        | (198,784)                    |
| Adult Continuing                        | 10,929                         | (9,450)                      | 11,758                         | (11,758)                     |
| <b>Support Services:</b>                |                                |                              |                                |                              |
| Pupils                                  | 555,979                        | (440,422)                    | 498,575                        | (381,630)                    |
| Instructional Staff                     | 375,980                        | (286,241)                    | 337,489                        | (279,202)                    |
| Board of Education                      | 44,731                         | (44,731)                     | 41,427                         | (41,427)                     |
| Administration                          | 755,668                        | (755,668)                    | 761,230                        | (732,793)                    |
| Fiscal                                  | 252,276                        | (252,276)                    | 189,378                        | (189,378)                    |
| Operation and Maintenance of Plant      | 841,556                        | (835,676)                    | 811,268                        | (805,628)                    |
| Pupil Transportation                    | 703,851                        | (645,645)                    | 605,424                        | (559,243)                    |
| Central                                 | 101,563                        | (96,793)                     | 83,503                         | (77,833)                     |
| Operation of Non-Instructional Services | 391,448                        | (10,955)                     | 351,418                        | 28,677                       |
| Extracurricular Activities              | 315,451                        | (80,912)                     | 213,080                        | (87,428)                     |
| Capital Outlay                          | 0                              | 0                            | 158,823                        | (158,823)                    |
| Principal Retirement                    | 1,765,706                      | (1,765,706)                  | 156,807                        | (156,807)                    |
| Current Refunding                       | 0                              | 0                            | 207,226                        | (207,226)                    |
| Interest and Fiscal Charges             | 194,252                        | (194,252)                    | 176,814                        | (176,814)                    |
| Issuance Costs                          | 43,463                         | (43,463)                     | 0                              | 0                            |
| <i>Total Disbursements</i>              | <u>\$12,246,839</u>            | <u>(\$10,395,752)</u>        | <u>\$10,420,464</u>            | <u>(\$8,700,066)</u>         |

### **The School District's Funds**

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$10,735,119 and disbursements of \$10,646,839. The General Fund had an increase in fund balance of \$191,857 due to the increase in income tax receipts. The Bond Retirement Debt Service Fund had an increase in fund balance of \$20,001 due to the premium on the refunding bonds.

### **General Fund Budgeting Highlights**

The School 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.

**National Trail Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

---

During the course of fiscal year 2007 the School District revised its budget as it attempted to deal with unexpected changes in receipts and disbursements. A summary of the General Fund's original and final budgeted amounts is listed on page 14, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, final budget basis receipts were \$9,053,026 which was \$52,409 above the original estimates of \$8,868,617. Final budget basis disbursements were \$9,075,419 which was \$33,936 above the original estimates of \$9,041,483.

The School District's ending unobligated General Fund cash balance was \$209,615.

**Debt Administration**

At June 30, 2007, the School District had \$2,918,520 of debt outstanding. Table 4 summarizes the debt outstanding:

Table 4  
Outstanding Debt, at Fiscal Year-end  
Governmental Activities

|                                    | <u>2007</u>        | <u>2006</u>        |
|------------------------------------|--------------------|--------------------|
| Mechanical Pump Room Note          | \$278,520          | \$319,226          |
| School Improvement Bonds           | 1,040,000          | 2,765,000          |
| School Improvement Refunding Bonds | <u>1,600,000</u>   | <u>0</u>           |
|                                    | <u>\$2,918,520</u> | <u>\$3,084,226</u> |

The School District's overall legal debt margin was \$7,472,438 with an unvoted debt margin of \$106,958 at June 30, 2007.

For more information on Debt, see Note 13 of the Basic Financial Statements.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Steve Dearth, Treasurer, 6940 Oxford-Gettysburg Road, New Paris, Ohio 45347, or email at ntbo\_sd@swoca.net.

**This page intentionally left blank.**

**National Trail Local School District**  
Statement of Net Assets - Cash Basis  
June 30, 2007

---

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | <u>\$1,034,237</u>                 |
| <b>Net Assets</b>                          |                                    |
| Restricted for:                            |                                    |
| Debt Service                               | 486,232                            |
| Capital Outlay                             | 2,560                              |
| Food Service                               | 21,220                             |
| Classroom Facilities Maintenance           | 7,109                              |
| Student Activities                         | 65,933                             |
| Miscellaneous State Grants                 | 18,538                             |
| Title VI-B Grant                           | 10,075                             |
| Other Purposes                             | 40,153                             |
| Unrestricted                               | <u>382,417</u>                     |
| <i>Total Net Assets</i>                    | <u><u>\$1,034,237</u></u>          |

See Accompanying Notes to the Basic Financial Statements

**National Trail Local School District**  
Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2007

|   | Program Cash Receipts |                         |                                       |                                     | Net (Disbursements)<br>Receipts and<br>Changes in<br>Net Assets |
|---|-----------------------|-------------------------|---------------------------------------|-------------------------------------|---|
|   | Cash<br>Disbursements | Charges for<br>Services | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions | Governmental<br>Activities                                      |
| <b>Governmental Activities</b>                              |                       |                         |                                       |                                     |   |
| Instruction:  |                       |                         |                                       |                                     |   |
| Regular   | \$4,331,481           | \$124,856               | \$56,728                              | \$0                                 | (\$4,149,897)   |
| Special   | 1,302,772             | 0                       | 737,399                               | 0                                   | (565,373)   |
| Vocational  | 259,733               | 0                       | 41,441                                | 0                                   | (218,292)   |
| Adult Continuing  | 10,929                | 0                       | 1,479                                 | 0                                   | (9,450)   |
| Support Services:   |                       |                         |                                       |                                     |   |
| Pupils  | 555,979               | 0                       | 115,557                               | 0                                   | (440,422)   |
| Instructional Staff   | 375,980               | 0                       | 89,739                                | 0                                   | (286,241)   |
| Board of Education  | 44,731                | 0                       | 0                                     | 0                                   | (44,731)  |
| Administration  | 755,668               | 0                       | 0                                     | 0                                   | (755,668)   |
| Fiscal  | 252,276               | 0                       | 0                                     | 0                                   | (252,276)   |
| Operation and Maintenance of Plant                          | 841,556               | 0                       | 5,880                                 | 0                                   | (835,676)   |
| Pupil Transportation  | 703,851               | 0                       | 43,535                                | 14,671                              | (645,645)   |
| Central   | 101,563               | 0                       | 4,770                                 | 0                                   | (96,793)  |
| Operation of Non-Instructional Services                     | 391,448               | 243,519                 | 136,974                               | 0                                   | (10,955)  |
| Extracurricular Activities                                  | 315,451               | 234,539                 | 0                                     | 0                                   | (80,912)  |
| Principal Retirement  | 1,765,706             | 0                       | 0                                     | 0                                   | (1,765,706)   |
| Interest and Fiscal Charges                                 | 194,252               | 0                       | 0                                     | 0                                   | (194,252)   |
| Issuance Costs  | 43,463                | 0                       | 0                                     | 0                                   | (43,463)  |
| <i>Total Governmental Activities</i>                        | <u>\$12,246,839</u>   | <u>\$602,914</u>        | <u>\$1,233,502</u>                    | <u>\$14,671</u>                     | <u>(10,395,752)</u>   |
| <b>General Receipts</b>                                     |                       |                         |                                       |                                     |   |
| Property Taxes Levied for:                                  |                       |                         |                                       |                                     |   |
| General Purposes  |                       |                         |                                       |                                     | 2,203,634   |
| Debt Service  |                       |                         |                                       |                                     | 241,188   |
| Other Purposes  |                       |                         |                                       |                                     | 45,301  |
| Income Tax  |                       |                         |                                       |                                     | 1,515,465   |
| Grants and Entitlements not Restricted to Specific Programs |                       |                         |                                       |                                     | 4,777,884   |
| Investment Earnings   |                       |                         |                                       |                                     | 30,601  |
| Gifts and Donations   |                       |                         |                                       |                                     | 41,238  |
| Refunding Bonds Issued                                      |                       |                         |                                       |                                     | 1,600,000   |
| Premium on Refunding Bonds Issued                           |                       |                         |                                       |                                     | 103,765   |
| Miscellaneous   |                       |                         |                                       |                                     | 28,721  |
| <i>Total General Receipts</i>                               |                       |                         |                                       |                                     | <u>10,587,797</u>   |
| <i>Change in Net Assets</i>                                 |                       |                         |                                       |                                     | 192,045   |
| <i>Net Assets at Beginning of Year - Restated (Note 17)</i> |                       |                         |                                       |                                     | <u>842,192</u>  |
| <i>Net Assets at End of Year</i>                            |                       |                         |                                       |                                     | <u><u>\$1,034,237</u></u>                                       |

See Accompanying Notes to the Basic Financial Statements



**National Trail Local School District**  
Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2007

|  | General          | Bond<br>Retirement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------|--------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                  |                    |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | \$352,053        | \$486,232          | \$193,392                      | \$1,031,677                    |
| Restricted Assets:                         |                  |                    |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | 2,560            | 0                  | 0                              | 2,560                          |
| <i>Total Assets</i>                        | <u>\$354,613</u> | <u>\$486,232</u>   | <u>\$193,392</u>               | <u>\$1,034,237</u>             |
| <b>Fund Balances</b>                       |                  |                    |                                |                                |
| Reserved for Encumbrances                  | \$62,845         | \$0                | \$42,998                       | \$105,843                      |
| Reserved for Bus Purchases                 | 2,560            | 0                  | 0                              | 2,560                          |
| Unreserved, Undesignated, Reported in:     |                  |                    |                                |                                |
| General Fund                               | 289,208          | 0                  | 0                              | 289,208                        |
| Special Revenue Funds                      | 0                | 0                  | 150,394                        | 150,394                        |
| Debt Service Fund                          | 0                | 486,232            | 0                              | 486,232                        |
| <i>Total Fund Balances</i>                 | <u>\$354,613</u> | <u>\$486,232</u>   | <u>\$193,392</u>               | <u>\$1,034,237</u>             |

See Accompanying Notes to the Basic Financial Statements

**National Trail Local School District**  
Statement of Cash Receipts, Disbursements and Changes in  
Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2007

|  | General          | Bond<br>Retirement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------|--------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>  |                  |                    |                                |                                |
| Property Taxes   | \$2,203,634      | \$241,188          | \$45,301                       | \$2,490,123                    |
| Income Tax   | 1,515,465        | 0                  | 0                              | 1,515,465                      |
| Intergovernmental  | 5,243,519        | 28,154             | 754,384                        | 6,026,057                      |
| Investment Earnings  | 30,560           | 0                  | 41                             | 30,601                         |
| Tuition and Fees   | 40,920           | 0                  | 40,215                         | 81,135                         |
| Rent   | 8,559            | 0                  | 0                              | 8,559                          |
| Extracurricular Activities                                     | 35,781           | 0                  | 233,920                        | 269,701                        |
| Gifts and Donations  | 21,488           | 0                  | 19,750                         | 41,238                         |
| Charges for Services   | 0                | 0                  | 243,519                        | 243,519                        |
| Miscellaneous  | 16,935           | 0                  | 11,786                         | 28,721                         |
| <i>Total Receipts</i>  | <u>9,116,861</u> | <u>269,342</u>     | <u>1,348,916</u>               | <u>10,735,119</u>              |
| <b>Disbursements</b>   |                  |                    |                                |                                |
| Current:   |                  |                    |                                |                                |
| Instruction:   |                  |                    |                                |                                |
| Regular  | 4,173,323        | 0                  | 158,158                        | 4,331,481                      |
| Special  | 915,063          | 0                  | 387,709                        | 1,302,772                      |
| Vocational   | 259,174          | 0                  | 559                            | 259,733                        |
| Adult Continuing   | 8,973            | 0                  | 1,956                          | 10,929                         |
| Support Services:  |                  |                    |                                |                                |
| Pupils   | 436,432          | 0                  | 119,547                        | 555,979                        |
| Instructional Staff  | 300,783          | 0                  | 75,197                         | 375,980                        |
| Board of Education   | 44,731           | 0                  | 0                              | 44,731                         |
| Administration   | 752,480          | 2,681              | 507                            | 755,668                        |
| Fiscal   | 252,276          | 0                  | 0                              | 252,276                        |
| Operation and Maintenance of Plant                             | 785,831          | 0                  | 55,725                         | 841,556                        |
| Pupil Transportation   | 702,014          | 0                  | 1,837                          | 703,851                        |
| Central  | 93,440           | 0                  | 8,123                          | 101,563                        |
| Operation of Non-Instructional Services                        | 2,035            | 0                  | 389,413                        | 391,448                        |
| Extracurricular Activities                                     | 112,637          | 0                  | 202,814                        | 315,451                        |
| Debt Service:  |                  |                    |                                |                                |
| Principal Retirement   | 37,502           | 125,000            | 3,204                          | 165,706                        |
| Interest and Fiscal Charges                                    | 12,290           | 181,962            | 0                              | 194,252                        |
| Issuance Costs   | 0                | 43,463             | 0                              | 43,463                         |
| <i>Total Disbursements</i>                                     | <u>8,888,984</u> | <u>353,106</u>     | <u>1,404,749</u>               | <u>10,646,839</u>              |
| <i>Excess of Receipts Over (Under) Disbursements</i>           | <u>227,877</u>   | <u>(83,764)</u>    | <u>(55,833)</u>                | <u>88,280</u>                  |
| <b>Other Financing Sources (Uses)</b>                          |                  |                    |                                |                                |
| Advances In  | 64,572           | 0                  | 18,040                         | 82,612                         |
| Transfer In  | 0                | 0                  | 82,552                         | 82,552                         |
| Advances Out   | (18,040)         | 0                  | (64,572)                       | (82,612)                       |
| Transfer Out   | (82,552)         | 0                  | 0                              | (82,552)                       |
| Current Refunding  | 0                | (1,600,000)        | 0                              | (1,600,000)                    |
| Refunding Bonds Issued   | 0                | 1,600,000          | 0                              | 1,600,000                      |
| Premium on Refunding Bonds Issued                              | 0                | 103,765            | 0                              | 103,765                        |
| <i>Total Other Financing Sources (Uses)</i>                    | <u>(36,020)</u>  | <u>103,765</u>     | <u>36,020</u>                  | <u>103,765</u>                 |
| <i>Net Change in Fund Balance</i>                              | 191,857          | 20,001             | (19,813)                       | 192,045                        |
| <i>Fund Balances at Beginning of Year - Restated (Note 17)</i> | <u>162,756</u>   | <u>466,231</u>     | <u>213,205</u>                 | <u>842,192</u>                 |
| <i>Fund Balances at End of Year</i>                            | <u>\$354,613</u> | <u>\$486,232</u>   | <u>\$193,392</u>               | <u>\$1,034,237</u>             |

See Accompanying Notes to the Basic Financial Statements

**National Trail Local School District**  
Statement of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2007

|  | Budgeted Amounts |                  |                  | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|------------------|---|
|  | Original         | Final            | Actual           |   |
| <b>Receipts</b>                                      |                  |                  |                  |   |
| Property Taxes                                       | \$2,258,022      | \$2,203,562      | \$2,203,634      | \$72  |
| Income Tax   | 1,404,384        | 1,515,465        | 1,515,465        | 0   |
| Intergovernmental                                    | 5,139,291        | 5,217,604        | 5,219,604        | 2,000   |
| Investment Earnings                                  | 12,500           | 22,500           | 30,192           | 7,692   |
| Tuition and Fees                                     | 5,875            | 40,002           | 40,920           | 918   |
| Rent   | 10,000           | 8,439            | 8,559            | 120   |
| Extracurricular Activities                           | 36,000           | 35,636           | 35,781           | 145   |
| Gifts and Donations                                  | 1,000            | 2,488            | 21,488           | 19,000  |
| Miscellaneous  | 1,545            | 7,330            | 12,787           | 5,457   |
| <i>Total Receipts</i>                                | <u>8,868,617</u> | <u>9,053,026</u> | <u>9,088,430</u> | <u>35,404</u>   |
| <b>Disbursements</b>                                 |                  |                  |                  |   |
| Current:   |                  |                  |                  |   |
| Instruction:   |                  |                  |                  |   |
| Regular  | 4,264,610        | 4,137,339        | 4,175,761        | (38,422)  |
| Special  | 972,127          | 935,778          | 915,063          | 20,715  |
| Vocational   | 268,518          | 272,343          | 259,805          | 12,538  |
| Adult Continuing                                     | 132              | 8,973            | 8,973            | 0   |
| Support Services:                                    |                  |                  |                  |   |
| Pupils   | 385,094          | 438,584          | 440,137          | (1,553)   |
| Instructional Staff                                  | 279,328          | 321,874          | 308,003          | 13,871  |
| Board of Education                                   | 46,293           | 48,094           | 44,731           | 3,363   |
| Administration                                       | 771,916          | 776,671          | 747,625          | 29,046  |
| Fiscal   | 331,599          | 261,488          | 262,466          | (978)   |
| Operation and Maintenance of Plant                   | 838,430          | 856,898          | 802,315          | 54,583  |
| Pupil Transportation                                 | 766,553          | 748,599          | 723,641          | 24,958  |
| Central  | 53,296           | 92,064           | 93,566           | (1,502)   |
| Operation of Non-Instructional Services              | 2,687            | 2,477            | 2,150            | 327   |
| Extracurricular Activities                           | 7,500            | 120,837          | 112,637          | 8,200   |
| Debt Service:  |                  |                  |                  |   |
| Principal Retirement                                 | 41,000           | 41,000           | 37,502           | 3,498   |
| Interest and Fiscal Charges                          | 12,400           | 12,400           | 12,290           | 110   |
| <i>Total Disbursements</i>                           | <u>9,041,483</u> | <u>9,075,419</u> | <u>8,946,665</u> | <u>128,754</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(172,866)</u> | <u>(22,393)</u>  | <u>141,765</u>   | <u>164,158</u>  |
| <b>Other Financing Sources (Uses)</b>                |                  |                  |                  |   |
| Advances In  | 0                | 0                | 64,572           | 64,572  |
| Advances Out   | 0                | 0                | (18,040)         | (18,040)  |
| Transfers Out  | 0                | (86,344)         | (87,716)         | (1,372)   |
| Refund of Prior Year Disbursements                   | 10,500           | 27,766           | 28,063           | 297   |
| <i>Total Other Financing Sources (Uses)</i>          | <u>10,500</u>    | <u>(58,578)</u>  | <u>(13,121)</u>  | <u>45,457</u>   |
| <i>Net Change in Fund Balances</i>                   | <u>(162,366)</u> | <u>(80,971)</u>  | <u>128,644</u>   | <u>209,615</u>  |
| <i>Fund Balance at Beginning of Year</i>             | <u>64,140</u>    | <u>64,140</u>    | <u>64,140</u>    | <u>0</u>  |
| <i>Prior Year Encumbrances Appropriated</i>          | <u>98,616</u>    | <u>98,616</u>    | <u>98,616</u>    | <u>0</u>  |
| <i>Fund Balance (Deficit) at End of Year</i>         | <u>\$390</u>     | <u>\$81,785</u>  | <u>\$291,400</u> | <u>\$209,615</u>  |

See Accompanying Notes to the Basic Financial Statements

**National Trail Local School District**  
Statement of Fiduciary Assets and Liabilities - Cash Basis  
Fiduciary Fund  
June 30, 2007

---

|  | <u>Private<br/>Purpose Trust</u> | <u>Agency</u>          |
|--|----------------------------------|------------------------|
| <b>Assets</b>                              |                                  |                        |
| Equity in Pooled Cash and Cash Equivalents | <u>\$914</u>                     | <u><u>\$42,218</u></u> |
| <b>Liabilities</b>                         |                                  |                        |
| Current Liabilities                        |                                  |                        |
| Due to Students                            | <u>0</u>                         | <u><u>\$42,218</u></u> |
| <b>Net Assets</b>                          |                                  |                        |
| Held in Trust                              | <u><u>\$914</u></u>              |                        |

See Accompanying Notes to the Basic Financial Statements

**National Trail Local School District**  
Statement of Changes in Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2007

---

|  | Private<br>Purpose Trust |
|--|--------------------------|
| <b>Additions</b>   |                          |
| Miscellaneous  | \$605                    |
| <b>Deductions</b>  |                          |
| Miscellaneous  | 862                      |
| <i>Changes in Net Assets</i>                             | (257)                    |
| <i>Net Assets Beginning of Year - Restated (Note 17)</i> | 1,171                    |
| <i>Net Assets End of Year</i>                            | \$914                    |

See Accompanying Notes to the Basic Financial Statements

**This page intentionally left blank.**

**National Trail Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The National Trail Local School District, Preble County, Ohio (the “School District”), is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is organized under article VI, sections 2 and 3 of the Constitution of the State of Ohio. The National Trail Local School District is governed by a locally elected, five member Board of Education (the Board), which provides educational services.

*Reporting Entity:*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in three jointly governed organizations, two insurance purchasing pools, and one shared risk pool. These organizations include the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA), the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan (GRP), the Ohio School Plan (OSP), and the Preble County Consortium (the “Consortium”) respectively. These organizations are presented in Note 14 to the basic financial statements.

**National Trail Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

---

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

As discussed further in Section C of Note 2, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements:*

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, does not have any activities which are presented as business-type.

The Statement of Net Assets presents the cash balance of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares disbursements with program receipts for each function of the School 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 School District's general receipts.



**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Fund Financial Statements:*

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

**B. Fund Accounting**

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

*Governmental Funds:*

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

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

*Bond Retirement Fund* – The Bond Retirement Debt Service Fund is used to account for various revenues collected for the payment of general obligated bonded debt.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Fiduciary Fund:*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are an Agency Fund and a Private Purpose Trust Fund. The School District's Agency Fund accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor. The School District's Private Purpose Trust Fund accounts for teachers and other faculty members sending flowers to sick and/or bereaved, and other special occasions.

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is 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 receipts (such as accounts receivable and receipts for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued disbursements and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except the agency fund, 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 amounts that the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

**National Trail Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 that were in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations 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, including all supplemental appropriations.

**E. Cash and Investments**

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

During fiscal year 2007, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2007 was \$30,560, which included \$18,802 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash and cash equivalents.

**F. Interfund Receivables/Payables**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**G. 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, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unspent receipts restricted for bus purchases.

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

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**I. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for federal and State grants restricted to cash disbursement for specified purposes. The School 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.

The government-wide Statement of Net Assets reports \$651,403 of restricted net assets, none of which is restricted by enabling legislation.

**J. Fund Balance Reserves**

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and bus purchases.

**NOTE 3 - COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its 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 financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**National Trail Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 3 – COMPLIANCE** (continued)

Ohio Revised Code, Section 5705.10, provides that money paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses or another fund. The following funds had negative fund balances during the fiscal year: General Fund, Food Service, Uniform School Supplies, Principal’s Fund, Capital Maintenance Fund, High Schools That Work, Title VI-B, Title I, Title IV, Drug Free Schools, Preschool Grant, Improving Teacher Quality, and Miscellaneous Federal Grants.

Ohio Revised Code, Section 149.351, provides that no public records shall be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or part, except as provided by law or under the rules adopted by the records commission provided under Ohio Revised Code Sections 149.38 to 149.42. The School District did not properly maintain records for student activity receipts.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared 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 outstanding year-end encumbrances treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance ( cash basis) and unrecorded cash which represents amounts received but not included on the budgetary basis. Unrecorded cash is included as revenue on the cash basis Statement of Cash Receipts, Disbursements and Changes in Fund Balances.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund.

| <u>Net Change in Fund Balance</u> |                         |
|-----------------------------------|-------------------------|
|                                   | <u>General</u>          |
| Cash Basis                        | \$193,188               |
| Unrecorded Cash Fiscal Year 2007  | (368)                   |
| Adjustment for Encumbrances       | <u>(62,845)</u>         |
| Budget Basis                      | <u><u>\$129,975</u></u> |

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

**National Trail Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 5 - DEPOSITS AND INVESTMENTS** (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. Investments may only be made through specified dealers and institutions.

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$5,378 of the School District's bank balance of \$105,378 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

**B. Investments**

As of June 30, 2007 the School District only had investments in STAROhio.

|          |                   |                        |
|----------|-------------------|------------------------|
|          | <u>Fair Value</u> | <u>Maturity</u>        |
| STAROhio | <u>\$2,123</u>    | <u>Average 39 Days</u> |

*Interest Rate Risk*

The School District's investment policy follows State statute, which requires that an investment mature within five years of the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

*Credit Risk*

STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**National Trail Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Darke and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2007, are available to finance fiscal year 2007 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 2007 taxes were collected are:



**National Trail Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 6 - PROPERTY TAXES** (continued)

|  | <u>Half Collections</u> |                | <u>Half Collections</u> |                |
|--|-------------------------|----------------|-------------------------|----------------|
|  | Amount                  | Percent        | Amount                  | Percent        |
| Real Estate                                | \$100,076,540           | 89.39%         | \$100,711,070           | 89.64%         |
| Public Utility Personal                    | 8,321,570               | 7.43%          | 7,842,580               | 6.98%          |
| General Business Personal                  | 3,551,302               | 3.18%          | 3,794,246               | 3.38%          |
| Total Assessed Value                       | <u>\$111,949,412</u>    | <u>100.00%</u> | <u>\$112,347,896</u>    | <u>100.00%</u> |
| Tax Rate per \$1,000 of Assessed Valuation | \$35.18                 |                | \$35.18                 |                |

**NOTE 7 - INCOME TAX**

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. An additional three-fourths percent was also passed and effective January 1, 2006 for an additional five years for general expenses. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds.

**NOTE 8 - INTERFUND ADVANCES**

At June 30, 2007, the General Fund had an unpaid interfund cash advance, in the amount of \$18,040, for a short-term loan made to Other Governmental Funds. This is expected to be received within one year. The General Fund also received repayments from Other Governmental Funds of \$64,572 for short-term loans made during fiscal year 2006.

The General Fund had transfers out to the Other Governmental Funds of \$87,716. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted with Selective Insurance Company of South Carolina for property insurance and Auto Owners Mutual Insurance Company for fleet insurance.

**National Trail Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 9 - RISK MANAGEMENT** (continued)

During fiscal year 2007, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 14). The School District contracts their liability insurance through the OSP.

Insurance coverage provided includes the following:

|   |              |
|---|--------------|
| Building and Contents – Replacement Cost (\$1,000 deductible) | \$26,861,341 |
| Automobile Liability  | 1,000,000    |
| Uninsured Motorists   | 1,000,000    |
| Educational General Liability                                 |              |
| Bodily Injury and Property Damage                             |              |
| Per Occurrence  | 1,000,000    |
| Sexual Abuse Injury   |              |
| Per Occurrence  | 1,000,000    |
| Personal and Advertising Injury                               |              |
| Per Occurrence  | 1,000,000    |
| Fire Damage   |              |
| Per Occurrence  | 500,000      |
| Medical Expense   |              |
| Per Person  | 10,000       |
| Per Occurrence  | 10,000       |
| General Aggregate Limit                                       | 3,000,000    |
| Product Completed Operations Limit                            | 1,000,000    |
| Employers' Liability and Stop Gap Endorsement                 |              |
| Bodily Injury By Accident                                     |              |
| Per Occurrence  | 1,000,000    |
| Bodily Injury By Disease                                      |              |
| Per Employee  | 1,000,000    |
| Aggregate   | 1,000,000    |
| Employee Benefits Liability                                   |              |
| Per Occurrence  | 1,000,000    |
| Aggregate Limit   | 3,000,000    |
| Educational Legal Liability Coverage From                     |              |
| Errors and Omissions Injury Limit (\$5,000 deductible)        | 1,000,000    |
| Aggregate   | 2,000,000    |
| Employment Practices Injury Limit (\$5,000 deductible)        | 1,000,000    |
| Aggregate   | 2,000,000    |

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant changes in coverage from fiscal year 2006.

**NOTE 9 - RISK MANAGEMENT** (continued)

**B. Workers' Compensation**

For fiscal year 2007, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

**C. Employee Medical Benefits**

For fiscal year 2007, the School District participated in the Preble County Consortium (the Consortium), a shared risk pool consisting of five local school districts and an educational service center (See Note 14). The School District pays monthly premiums to the Consortium for employee medical benefits. The Consortium is responsible for the management and operations of the program. Upon withdrawal from the Consortium, a participant is responsible for the payment of all Consortium liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling toll-free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$121,326, \$113,382, and \$106,537, respectively; the full amount has been contributed for all three fiscal years.

**B. State Teachers Retirement System of Ohio**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**National Trail Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$567,774, \$538,779 and \$545,685, respectively; the full amount has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2007 were \$1,573 made by the School District and \$4,665 made by the plan members.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$43,675 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

**National Trail Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$60,552.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Life Insurance**

Life Insurance is provided by the School District to most employees through Jefferson Pilot Financial.

**B. Dental Care**

Dental Insurance is provided by the School District to most employees through Anthem Blue Cross Blue Shield.

**C. Vision Care**

Vision Insurance is provided by the School District to most employees through Principal Life Insurance Company.

**National Trail Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

|  | Amount<br>Outstanding<br>6/30/06 | Additions          | Deductions         | Amount<br>Outstanding<br>6/30/07 | Amounts<br>Due Within<br>One Year |
|--|----------------------------------|--------------------|--------------------|----------------------------------|-----------------------------------|
| <u>Governmental Activities:</u>  |                                  |                    |                    |                                  |                                   |
| Mechanical Pump Room Note<br>2006 3.85%  | \$319,226                        | \$0                | \$40,706           | \$278,520                        | \$42,274                          |
| General Obligation   |                                  |                    |                    |                                  |                                   |
| School Improvement Bonds<br>1997 5.73%   | 2,765,000                        | 0                  | 1,725,000          | 1,040,000                        | 140,000                           |
| General Obligation School<br>Improvement Refunding Bonds<br>2007 3.75 - 5.875% | 0                                | 1,600,000          | 0                  | 1,600,000                        | 40,000                            |
| Total Governmental Activities<br>Long-Term Liabilities                         | <u>\$3,084,226</u>               | <u>\$1,600,000</u> | <u>\$1,765,706</u> | <u>\$2,918,520</u>               | <u>\$222,274</u>                  |

*Notes Payable*

The Mechanical Pump Room Note was issued for \$319,226 with an interest rate of 3.85 percent. The note was issued to refund the 2002 Energy Conservation Note and to finance improvements to the mechanical pump room. The note was issued for a seven year period with final maturity during fiscal year 2013. The debt will be retired from the anticipated savings over the seven years and will be paid from the General Fund.

*School Improvement Bonds*

On December 1, 1996, the School District issued \$3,509,440 in voted general obligation bonds for the purpose of the construction of a new school building in the School District. The bonds were issued for a twenty-two year period with final maturity at December 1, 2018. The debt will be retired from the Debt Service Fund. During fiscal year 2007, \$1,600,000 of the bonds were refunded, leaving \$1,040,000 outstanding as of fiscal year-end.

*School Improvement Refunding Bonds*

During fiscal year 2007, the School District refunded \$1,600,000 of the School Improvement Bonds. The refunding bonds were issued with variable interest rates between 3.750 and 5.875 percent with final maturity during fiscal year 2019. Total debt service payments decreased by \$188,691 as a result of the refunding. The School District incurred an economic gain (difference between the present values of the old and new debt service payments) of \$174,342.

**National Trail Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

The School District's overall legal debt margin was \$7,472,438 with an unvoted debt margin of \$106,958 at June 30, 2007.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2007, are as follows:

| Fiscal Year<br>Ending June 30, | Mechanical<br>Pump Room<br>Note<br>Principal | Mechanical<br>Pump Room<br>Note<br>Interest | School<br>Improvement<br>Bonds<br>Principal | School<br>Improvement<br>Bonds<br>Interest |
|--------------------------------|--|---|---|--|
| 2008                           | \$42,274                                     | \$10,723                                    | \$180,000                                   | \$135,448                                  |
| 2009                           | 43,901                                       | 9,095                                       | 160,000                                     | 125,231                                    |
| 2010                           | 45,591                                       | 7,405                                       | 180,000                                     | 114,616                                    |
| 2011                           | 47,347                                       | 5,650                                       | 190,000                                     | 103,041                                    |
| 2012                           | 49,169                                       | 3,827                                       | 200,000                                     | 90,826                                     |
| 2013-2017                      | 50,238                                       | 1,934                                       | 1,160,000                                   | 287,681                                    |
| 2018-2019                      | 0  | 0   | 570,000                                     | 34,496                                     |
| Total                          | <u>\$278,520</u>                             | <u>\$38,634</u>                             | <u>\$2,640,000</u>                          | <u>\$891,339</u>                           |

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS/SHARED RISK POOL**

**A. Jointly Governed Organizations**

*Southwest Ohio Computer Association*

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble 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. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$21,766 for membership during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.



**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS/SHARED RISK POOL** (continued)

*Southwestern Ohio Educational Purchasing Council*

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made from the General Fund. During fiscal year 2007, the School District paid \$765 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

*Southwestern Ohio Instructional Technology Association*

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2007, the School District paid \$932 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS/SHARED RISK POOL** (continued)

**B. Insurance Purchasing Pools**

*Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan*

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

*Ohio School Plan*

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a thirteen member Board of Directors consisting of member superintendents and treasurers, as well as Dave Harcum, an independent consultant of Hylant Group, Inc., and a partner of the Hylant Group, Inc. The Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims.

**C. Shared Risk Pool**

*Preble County Consortium*

The Preble County Consortium (the Consortium), a shared risk pool, was formed by five local school districts and the Preble County Educational Service Center for the purpose of achieving lower rates for medical insurance. The Consortium is governed by an advisory committee consisting of each member's superintendent or designee from each participating school district. Premiums are paid on a monthly basis to the Consortium and their designated insurance company. The Consortium is responsible for the operation and maintenance of the program. If the premiums are insufficient to pay the program costs for the fiscal year, the Consortium may assess additional charges to all participants. The Preble County Educational Service Center serves as coordinator of the Consortium. Financial information can be obtained from Teresa Freeman, who serves as Treasurer, at 597 Hillcrest Drive, Eaton, Ohio 45320.

**National Trail Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 15 - SET-ASIDE CALCULATIONS**

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

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

|   | Textbooks and<br>Instructional<br>Materials | Capital<br>Improvements |
|---|---|-------------------------|
| Set-aside Reserve Balance as of           |   |                         |
| June 30, 2006                             | (\$312,819)                                 | \$0                     |
| Current Fiscal Year Set-aside Requirement | 174,014                                     | 174,014                 |
| Qualifying Disbursements                  | (137,823)                                   | (219,781)               |
| Current Fiscal Year Offsets               | 0   | (45,301)                |
| Totals                                    | (\$276,628)                                 | (\$91,068)              |
| Set-aside Balance Carried Forward to      |   |                         |
| Future Fiscal Years                       | (\$276,628)                                 | \$0                     |
| Set-aside Reserve Balance as of           |   |                         |
| June 30, 2006                             | \$0   | \$0                     |

The School District had qualifying disbursements and offsets during the fiscal year that reduced textbooks and instructional materials and capital improvements amounts below zero. The extra amount of offsets for textbooks and instructional materials may be used to reduce the set-aside requirements in future fiscal years, but the extra amount of offsets for capital improvements may not be used to reduce the set-aside requirements in future fiscal years.

**National Trail Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

**B. Litigation**

The School District is not currently a party to any legal proceedings.

**NOTE 17 - RESTATEMENT OF PRIOR YEAR FUND BALANCE/NET ASSETS**

During fiscal year 2007 the School District changed their fund structure. The School District reclassified \$33,983 from the Student Managed Activities Agency Fund to the District Managed Student Activities Special Revenue Fund and \$1,171 from the Special Commons Trust Special Revenue Fund to the Teacher's Hospitality Private Purpose Trust Fund. This change had the following restatement of fund balance for the Other Governmental Funds, governmental net assets, and the Private Purpose Trust Fund.

|  | Other<br>Governmental<br>Funds | Governmental<br>Net Assets | Private Purpose<br>Trust Fund |
|--|--------------------------------|----------------------------|-------------------------------|
| Fund Balance/Net Assets June 30, 2006          | \$180,393                      | \$809,380                  | \$0                           |
| Change in Fund Structure                       | 32,812                         | 32,812                     | 1,171                         |
| Restated Fund Balance/Net Assets June 30, 2006 | <u>\$213,205</u>               | <u>\$842,192</u>           | <u>\$1,171</u>                |

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2007**

| Federal Grantor/<br>Pass Through Grantor<br>Program Title | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts                | Non-Cash<br>Receipts   | Disbursements           | Non-Cash<br>Disbursements |
|---|----------------------------------|---------------------------|-------------------------|------------------------|-------------------------|---------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                     |                                  |                           |                         |                        |                         |                           |
| <i>Passed Through Ohio Department of Education:</i>       |                                  |                           |                         |                        |                         |                           |
| Food Distribution Program                                 | None                             | 10.550                    |                         | \$13,160               |                         | \$13,160                  |
| Nutrition Cluster:  |                                  |                           |                         |                        |                         |                           |
| National School Breakfast Program                         | 05-PU-05/06                      | 10.553                    | \$30,323                |                        | \$30,323                |                           |
| National School Lunch Program                             | LLP4-05/06                       | 10.555                    | <u>100,910</u>          |                        | <u>100,910</u>          |                           |
| Total Nutrition Cluster                                   |                                  |                           | <u>131,233</u>          |                        | <u>131,233</u>          |                           |
| Total U.S. Department of Agriculture                      |                                  |                           | <u>131,233</u>          | <u>13,160</u>          | <u>131,233</u>          | <u>13,160</u>             |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                       |                                  |                           |                         |                        |                         |                           |
| <i>Passed Through Ohio Department of Education:</i>       |                                  |                           |                         |                        |                         |                           |
| Special Education Cluster:                                |                                  |                           |                         |                        |                         |                           |
| Special Education Grants to States                        | 6B-SF-05                         | 84.027                    |                         |                        | 1,455                   |                           |
|   | 6B-SF-06                         |                           | 1,060                   |                        | 9,908                   |                           |
|   | 6B-SF-07                         |                           | <u>261,179</u>          |                        | <u>258,428</u>          |                           |
|   |                                  |                           | 262,239                 |                        | 269,791                 |                           |
| Special Education - Preschool Grant                       | PG-S1-06                         | 84.173                    | 1,836                   |                        | 1,932                   |                           |
|   | PG-S1-07                         |                           | <u>1,511</u>            |                        | <u>973</u>              |                           |
|   |                                  |                           | 3,347                   |                        | 2,905                   |                           |
| Total Special Education Cluster                           |                                  |                           | <u>265,586</u>          |                        | <u>272,696</u>          |                           |
| Title I, Part A, CSEA                                     | C1-S1-06                         | 84.010                    | 16,050                  |                        | 18,637                  |                           |
|   | C1-S1-07                         |                           | <u>172,550</u>          |                        | <u>172,550</u>          |                           |
|   |                                  |                           | 188,600                 |                        | 191,187                 |                           |
| Drug Free Schools Grant                                   | DR-S1-07                         | 84.186                    | 4,650                   |                        | 4,650                   |                           |
| Innovative Education Program Strategies                   | C2-S1-07                         | 84.298                    | 1,514                   |                        | 1,514                   |                           |
| Technology Literacy Challenge Fund Grant                  | TJ-S1-06                         | 84.318                    | (210)                   |                        | 50                      |                           |
|   | TJ-S1-07                         |                           | <u>1,075</u>            |                        | <u>929</u>              |                           |
| Total Technology Literacy Challenge Fund Grant            |                                  |                           | 865                     |                        | 979                     |                           |
| Improving Teacher Quality State Grant (Title II)          | TR-S1-05                         | 84.367                    |                         |                        | 1,325                   |                           |
|   | TR-S1-06                         |                           | 17,709                  |                        | 17,709                  |                           |
|   | TR-S1-07                         |                           | <u>58,156</u>           |                        | <u>50,776</u>           |                           |
| Total Improving Teacher Quality State Grant (Title II)    |                                  |                           | 75,865                  |                        | 69,810                  |                           |
| Hurricane Education Recovery                              | HR-01-06                         | 84.938                    | <u>4,000</u>            |                        | <u>4,000</u>            |                           |
| Total U.S. Department of Education                        |                                  |                           | <u>541,080</u>          |                        | <u>544,836</u>          |                           |
| <b>TOTAL FEDERAL ASSISTANCE</b>                           |                                  |                           | <u><u>\$672,313</u></u> | <u><u>\$13,160</u></u> | <u><u>\$676,069</u></u> | <u><u>\$13,160</u></u>    |

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE E – NEGATIVE RECEIPTS**

Each project completed approved activities within the time frames allotted by the Ohio Department of Education (ODE). At the conclusion of the grant period, the School District requested that unexpended funds be transferred to the following grant period.

**NOTE F – TRANSFER OF TECHNOLOGY LITERACY CHALLENGE RECEIPTS, CFDA # 84.318**

\$210 of FY06 Technology Literacy Challenge Fund Grant was transferred to the FY07 Technology Literacy Challenge Fund Grant at the end of fiscal year 2006. It is shown as a receipt in FY07 and a negative receipt in FY06 on the Schedule of Federal Awards.

**NOTE G – TRANSFER OF IMPROVING TEACHER QUALITY RECEIPTS, CFDA # 84.367**

\$164 of FY06 Improving Teacher Quality Grant was transferred to the FY07 Improving Teacher Quality Grant at the end of fiscal year 2006. It is shown as a receipt in FY07 and included as a negative receipt in FY06 on the Schedule of Federal Awards.



# Mary Taylor, CPA

Auditor of State

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

National Trail Local School District  
Preble County  
6940 Oxford-Gettysburg Road  
New Paris, Ohio 45347

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of National Trail Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the Government's basic financial statements and have issued our report thereon dated March 21, 2008, in which we noted the School District prepares its financial statements on a basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the School District's management in a separate letter dated March 21, 2008.

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

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-002 through 2007-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 21, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

March 21, 2008





# Mary Taylor, CPA

Auditor of State

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

National Trail Local School District  
Preble County  
6940 Oxford-Gettysburg Road  
New Paris, Ohio 45347

To the Board of Education:

### Compliance

We have audited the compliance of National Trail Local School District, Preble County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the National Trail Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2007.

### Internal Control Over Compliance

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

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

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

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

We also noted matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated March 21, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

March 21, 2008

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007**

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

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

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

**FINDING NUMBER 2007-001**

**Significant Deficiency**

When designing the public office's system of internal control and the specific control activities, management should consider the following: ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, ensuring adequate security of assets and records, planning for adequate segregation of duties or compensating controls, verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records, performing analytical procedures to determine the reasonableness of financial data, ensuring the collection and compilation of the data needed for the timely preparation of financial statements, and monitoring activities performed by service organizations.

The School District lacks adequate controls and procedures over bank reconciliations and food service operation reconciliations as evidenced by the following:

- Bank reconciliations were not performed for the payroll account for the audit period.
- The payroll account was not properly reconciled as of June 30, 2007 by \$679. As of June 30, 2006, the payroll account was not properly reconciled by \$2,351.
- During tests of food service receipts, it was noted that the School District does not complete a reconciliation of cash collected (deposited amounts) to the amounts on the cash register tapes. Furthermore, many variances did not include an explanation for the variance. For the two buildings testing, one building deposited \$50 more than the cash register tapes and the other building deposited \$131 more than the cash register tapes. Of these variances, \$38 and \$81 were known errors, respectively.

Reconciliations are an effective tool to help management determine that all transactions are completely recorded. We recommend the School District properly reconcile all accounts on a monthly basis. Any variances should be immediately investigated, justified, and adjusted for if necessary

Additionally, we recommend the School District implement procedures to ensure that all daily cash register tapes reconcile to the food service deposits being made. Corrections and / or adjustments to the cash register tapes should be noted on the tape or a daily adjustment sheet. The tapes and / or adjustment sheets should be reconciled on a daily basis to the CN-6 and CN-7 reports and the deposits being made. The reconciliation should be reviewed for accuracy and completeness by supervisory personnel. The review should be evidenced by initialing, dating, etc.

**FINDING NUMBER 2007-002**

**Significant Deficiency / Material Noncompliance**

**Ohio Rev. Code, Section 149.351**, provides, in part, that no public records shall be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or part, except as provided by law or under the rules adopted by the records commission provided under Ohio Rev. Code Sections 149.38 to 149.42. **Board policy EHA** states "All records are the property of the School District and are not to be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or part, except as provided by law or under rules adopted by the School District Records Commission. Such records shall be delivered by outgoing officials and employees to their successors and shall not be removed, transferred or destroyed unlawfully.

**FINDING NUMBER 2007-002  
(Continued)**

The following was noted during testing of student activity receipts:

Of 35 student activities that required activity budget forms, only 8 were provided by the School District. One activity budget form was not signed by the Treasurer.

Of 30 athletic ticket accountability forms tested, 7 were not signed by either the sponsor or athletic director. Forms were signed by the ticket taker.

Only 11 of the 36 sales project potential forms provided were properly completed (the bottom section of the form was not completed).

**Future Farmers of America (FFA) Fruit Sale:**

The recalculated amount due by students did not agree to the student tally sheets for 5 students. The total amount due according to the recalculation for these 5 students was \$317. While the total amount due according to the 5 student tally sheets was \$295.

The amount deposited for the fruit sale was \$31,250. The amount due according to the order forms was \$29,854. Order forms may not have been completed or retained for the sale of these extra items.

**Athletics:**

One pay-in could not be located for an athletic event; but monies were deposited for the event.

**8<sup>th</sup> Grade:**

Duplicate receipts were not maintained for \$50 of stadium chair revenue. The total amount due according to the student order forms and the amount deposited with the Treasurer was \$1,175, while the amount due according to the duplicate receipts only totaled \$1,125.

Duplicate receipts were not maintained for \$147 of candle sale revenue. The total amount due according to the duplicate receipts was \$2,285. The total amount deposited with the Treasurer (which matches the total from the student order forms) was \$2,432.

Duplicate receipts were not maintained for \$994 of cookie dough revenue. The total amount due according to the student order forms was \$2,684. Duplicate receipts showed only \$1,650 due, while \$2,644 was actually deposited with the Treasurer for the fundraiser.

\$56 less was deposited with the Treasurer than indicated on the duplicate receipts for the pizza sale. The amount due according to the student order forms was \$6,111, while the amount deposited with the Treasurer was only \$6,092, and the amount due according to the duplicate receipts was \$6,148.

The School District did not take a vendor discount of \$560 for the stadium chair fundraiser, causing the fundraiser to lose money. Once brought to the School District's attention, they contacted the vendor and the School District received a refund on November 9, 2007.

**Band:**

The amount collected for the poinsettia sale according to the advisor's records disagreed with the duplicate receipts for 11 students. The total amount reported as collected by the Advisor was \$145 less than the total amount due from the duplicate receipts.

**FINDING NUMBER 2007-002  
(Continued)**

The amount deposited with the Treasurer was \$229 less than the total amount due from the duplicate receipts and \$84 less than the amount collected according to the advisor's records. The advisor gave \$200 in cash. National Trail Local School District awards to the top sellers rather than depositing all funds and then having a check drawn for the top sellers. During fiscal year 2008, this practice was no longer done and checks were paid to the top sellers

To improve internal controls over the School District's student activities it is recommended that the School District:

- Prior to any financial transactions by an authorized student activity, a purpose clause should be submitted to and approved by the Board of Education. This will help insure compliance with **Board Policy IGDF(8)** limiting the number of fundraising activities so as not to become a burden or nuisance to the community;
- Sales project forms should be completed for all fundraisers, be it student activities or athletic clubs, indicating a proposed budget. The proposed sales project form should be signed by the activity advisor, building principal, Treasurer/designee, and Superintendent. Once the fundraiser is completed, the bottom of the form should be completed indicating actual results from the fundraiser and signed as by the same personnel. This will enhance the School District's compliance with **Board Policy IGDF(8)**;
- Pre-numbered duplicate receipts should be issued by all faculty and/or student advisors. Cash registers should be used when applicable. For each receipt recorded by the School District Treasurer's office the relevant advisor should be able to provide documentation for the entire receipt amount. This increases accountability over the receipting process;
- All athletic ticket accountability sheets should be reviewed and signed by either a sponsor or the athletic director.
- All order forms should be reviewed for accuracy.
- Cash prizes should be accounted through the School District's disbursement cycle rather than be paid with cash from collections.
- The School District should take advantage of all vendor discounts at the time payment is made for the fundraiser.

We recommend that the School District review their current policy. Additional controls and procedures are explained in the Auditor of State (AOS) "Guidelines for Developing Policies for Student Activity Programs available at the AOS web site: [www.auditor.state.oh.us](http://www.auditor.state.oh.us), under publications, scroll down to Manuals, Handbooks, Forms & Technical Bulletins.

**FINDING NUMBER 2007-003**

**Material Noncompliance**

**Ohio Rev. Code, Section 5705.10(H)**, provides that money paid into a fund must be used only for the purposes for which such fund has been established. During our testing we noted that various funds had negative fund balances. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

**FINDING NUMBER 2007-003  
 (Continued)**

The following funds had negative fund balances throughout the year:

| <b>Dates</b>  | <b>Fund</b>                          | <b>Date of Highest Negative Fund Balance</b> | <b>Highest Negative Fund Balance</b> |
|---|--------------------------------------|--|--------------------------------------|
| July 2006; January 2007                               | Fund 001 – General Fund              | 1/17/07                                      | \$152,778                            |
| Various dates from October through December 2006      | Fund 006 – Food Service              | 12/31/06                                     | 11,077                               |
| September 2006 through January 2007                   | Fund 009 – Uniform School Supplies   | 9/22/06                                      | 10,666                               |
| Various dates from December 2006 through January 2007 | Fund 018 – Principal’s Fund          | 12/31/06                                     | 554                                  |
| Various dates in December 2006 and February 2007      | Fund 034 – Capital Maintenance Fund  | 12/31/06                                     | 3,108                                |
| Various dates through the entire year                 | Fund 461 – High Schools That Work    | 2/28/07                                      | 3,446                                |
| Various dates through the entire year                 | Fund 516 – Title VI-B                | 10/31/06                                     | 96,790                               |
| Various dates through the entire year                 | Fund 572 – Title I                   | 10/31/06                                     | 41,158                               |
| January 19, 2007                                      | Fund 573 – Title IV                  | 1/19/07                                      | 605                                  |
| January 19, 2007                                      | Fund 584 – Drug Free Schools         | 1/19/07                                      | 1,860                                |
| July through September 2006                           | Fund 587 – Preschool Grant           | 7/31/06                                      | 1,941                                |
| Various dates through the entire year                 | Fund 590 – Improving Teacher Quality | 11/16/06                                     | 12,092                               |
| February 16, 2007                                     | Fund 599 – Misc. Federal Grants      | 2/16/07                                      | 687                                  |

We recommend the School District monitor fund balances and take corrective action such as advancing funds, if possible. It is recognized that this is difficult to do when the General Fund also has a negative balance as indicated above.

**FINDING NUMBER 2007-004**

**Material Noncompliance**

**Ohio Admin. Code, Section 117-2-03(B)**, requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosure that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District. As such we recommend the School District prepares its annual financial report in accordance with generally accepted accounting principles.

**Officials’ Response:**

We did not receive a response from Officials to the findings reported above.

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

None.



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2007**

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|--|------------------|--|
| 2006-001       | Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles        | No               | Not Corrected. Reissued as Finding 2007-004.   |
| 2006-002       | Ohio Rev. Code Section 149.351, failure to maintain proper supporting documentation for student activities                 | No               | Not Corrected. Reissued as Finding 2007-002.   |
| 2006-003       | Ohio Rev. Code Section 5705.10, failure to maintain positive fund balances   | No               | Not Corrected. Reissued as Finding 2007-003  |
| 2006-004       | Failure to maintain proper management oversight over payroll operations. Failure to properly reconcile the payroll account | No               | Partially Corrected. Reissued as Management Letter Comment and Finding 2007-001.   |





**Mary Taylor, CPA**  
Auditor of State

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT**

**PREBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 10, 2008**