



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

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 National Trail Local School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 2001. These financial statements are the responsibility of the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of National Trail Local School District, Preble County, as of June 30, 2001, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the District taken as a whole. The accompanying schedule of expenditures of federal awards expenditure is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

National Trail Local School District  
Preble County  
Report of Independent Accountants  
Page 2

This report is intended solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies and pass-through entities, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

November 2, 2001

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH, INVESTMENTS,  
AND FUND CASH BALANCES - ALL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Cash and Cash Equivalents	\$1,956,322
Investments	<u>1,803</u>
Total cash and investments	<u><u>\$1,958,125</u></u>

**CASH BALANCES BY FUND TYPE**

Governmental funds:	
General fund	\$785,198
Special revenue funds	196,783
Debt service funds	526,322
Capital projects funds	316,677
Proprietary funds:	
Enterprise funds	47,566
Internal service funds	4,369
Fiduciary funds:	
Expendable trust funds	4,346
Agency funds	<u>76,864</u>
Total	<u><u>\$1,958,125</u></u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND  
AND EXPENDABLE TRUST FUND - FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types				Fiduciary	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
<b>Revenue:</b>						
Revenue from Local Sources:						
Taxes	\$2,958,041	\$43,135	\$244,095			\$3,245,271
Tuition	3,937					3,937
Transportation Fees	2,014					2,014
Earning on Investments	68,648			\$5,456		74,104
Extracurricular Activities		97,540			\$2,180	99,720
Classroom Materials & Fees	1,076					1,076
Miscellaneous	22,176	3,977			665	26,818
Revenue from Intermediate Sources:						
Restricted Grants in Aid		500				500
Revenue from State Sources:						
Unrestricted Grants in Aid	4,726,912	5,550	31,785	1,109		4,765,356
Restricted Grants in Aid	2,099	77,507		84,829		164,435
Revenue from Federal Sources:						
Unrestricted Grants in Aid		16,195				16,195
Restricted Grants in Aid		328,420				328,420
<b>Total Revenue</b>	<b>7,784,903</b>	<b>572,824</b>	<b>275,880</b>	<b>91,394</b>	<b>2,845</b>	<b>8,727,846</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,486,522	61,485		38,861	1,527	3,588,395
Special	731,482	243,233				974,715
Vocational	182,317	3,405		1,552		187,274
Other Instruction	20,980					20,980
Supporting Service:						
Pupils	255,362	91,239				346,601
Instructional	203,206	33,698		10,830		247,734
Board of Education	22,530					22,530
Administration	758,844	8,323	5,879			773,046
Fiscal Services	151,278					151,278
Business	4,304					4,304
Operation and Maintenance - Plant	641,819	47,197			1,184	690,200
Pupil Transportation	585,468					585,468
Central	70,117					70,117
Operation of Non-Instructional Services:						
Community Services	5,572					5,572
Extracurricular Activities:						
Academic and Subject Oriented Activities	14,655					14,655
Sports Oriented	76,329	64,859				141,188
Co-Curricular	9,152	11,541				20,693
Facilities Acquisition & Construction Services:						
Building Acquisition and Construction				6,230		6,230
Building Improvement				624		624
Debt Service:						
Repayment of Debt	22,717		261,224			283,941
<b>Total Expenditures</b>	<b>7,242,654</b>	<b>564,980</b>	<b>267,103</b>	<b>58,097</b>	<b>2,711</b>	<b>8,135,545</b>
Excess of Revenue Over (Under) Expenditures:	542,249	7,844	8,777	33,297	134	592,301
<b>Other Financing Sources and (Uses):</b>						
Transfers-in		18,955				18,955
Advances-in	17,600	13,000				30,600
Refund of Prior Year Expenditures	27,651	250				27,901
Transfers-out	(18,955)					(18,955)
Advances-out	(32,000)	(1,000)				(33,000)
<b>Total other financing receipts/(disbursements)</b>	<b>(5,704)</b>	<b>31,205</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,501</b>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	536,545	39,049	8,777	33,297	134	617,802
Restated Fund Cash Balances, July 1, 2000	248,653	157,734	517,545	283,380	4,212	1,211,524
<b>Fund Cash Balances, June 30, 2001</b>	<b>\$785,198</b>	<b>\$196,783</b>	<b>\$526,322</b>	<b>\$316,677</b>	<b>\$4,346</b>	<b>\$1,829,326</b>
Reserve for encumbrances, June 30, 2001	\$167,104	\$45,017	\$0	\$3,272	\$665	\$216,058
Reserve for Budget Stabilization, June 30, 2001	\$144,313					\$144,313

The notes to the financial statements are an integral part of this statement.



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPES AND  
AGENCY FUNDS - FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Receipts:</b>				
Food Services	\$286,205			\$286,205
Extracurricular Activities		\$19,760	\$231,806	251,566
Classroom Materials & Fees	47,188			47,188
<b>Total Operating Revenue</b>	<u>333,393</u>	<u>19,760</u>	<u>231,806</u>	<u>584,959</u>
<b>Operating Expenditures:</b>				
Personal Services - Salaries	155,267			155,267
Employees' Retirement and Insurance	38,288		1	38,289
Purchased Services	1,245		1,328	2,573
Supplies and Materials	243,105		467	243,572
Capital outlay	766			766
Capital outlay - Replacement	2,282			2,282
Other Objects	493	19,527	234,189	254,209
<b>Total Cash Disbursements</b>	<u>441,446</u>	<u>19,527</u>	<u>235,985</u>	<u>696,958</u>
Excess of Operating Receipts Over/(Under) Operating Expenditures	<u>(108,053)</u>	<u>233</u>	<u>(4,179)</u>	<u>(111,999)</u>
<b>Non-Operating Revenue:</b>				
Earnings on Investments	235			235
Miscellaneous		350	3,954	4,304
Revenue from State Sources: Restricted Grants in Aid	4,808			4,808
Revenue for Federal Sources: Unrestricted Grants in Aid	80,611			80,611
Refund of Prior Years Expenditures	679		20	699
<b>Total Non-Operating Revenue</b>	<u>86,333</u>	<u>350</u>	<u>3,974</u>	<u>90,657</u>
Excess of Revenue Over/(Under) Expenses Before Interfund Advances	<u>(21,720)</u>	<u>583</u>	<u>(205)</u>	<u>(21,342)</u>
<b>Other financing receipts/(disbursements):</b>				
Advances-in	16,000	600	2,400	19,000
Advances-out	<u>(16,000)</u>	<u>(600)</u>		<u>(16,600)</u>
<b>Total other financing receipts/(disbursements)</b>	<u>0</u>	<u>0</u>	<u>2,400</u>	<u>2,400</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	<u>(21,720)</u>	<u>583</u>	<u>2,195</u>	<u>(18,942)</u>
Fund Cash Balances, July 1, 2000	<u>69,286</u>	<u>3,786</u>	<u>74,669</u>	<u>147,741</u>
<b>Fund Cash Balances, June 30, 2001</b>	<u>\$47,566</u>	<u>\$4,369</u>	<u>\$76,864</u>	<u>\$128,799</u>
Reserve for encumbrances, June 30, 2001	<u>\$3,686</u>	<u>\$543</u>	<u>\$28,522</u>	<u>\$32,751</u>

*The notes to the financial statements are an integral part of this statement.*

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Fund Types/Funds:</b>			
<b>Governmental</b>			
General Fund	\$7,805,395	\$7,784,903	(\$20,492)
Special Revenue Funds	586,779	591,779	5,000
Debt Service Fund	283,174	275,880	(7,294)
Capital Projects Funds	80,439	91,395	10,956
Expendable Trust Funds	3,469	2,845	(624)
<b>Proprietary</b>			
Enterprise Funds	417,494	419,047	1,553
Internal Service Funds	20,043	20,111	68
<b>Fiduciary</b>			
Agency	<u>230,275</u>	<u>235,760</u>	<u>5,485</u>
<b>Total (Memorandum Only)</b>	<b><u><u>\$9,427,068</u></u></b>	<b><u><u>\$9,421,720</u></u></b>	<b><u><u>(\$5,348)</u></u></b>

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>	<u>Actual Disbursements</u>	<u>Outstanding Encumbrances</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Fund Types/Funds:</b>							
<b>Governmental</b>							
General Fund	\$108,329	\$7,816,378	\$7,924,707	\$7,261,609	\$167,104	\$7,428,713	\$495,994
Special Revenue Funds	39,869	648,911	688,780	564,980	45,017	609,997	78,783
Debt Service Fund		270,500	270,500	267,103		267,103	3,397
Capital Projects Funds	3,434	302,558	305,992	58,097	3,272	61,369	244,623
Expendable Trust Funds	1,280	4,948	6,228	2,711	665	3,376	2,852
<b>Proprietary</b>							
Enterprise Funds	1,316	456,855	458,171	441,446	3,686	445,132	13,039
Internal Service Funds	446	22,317	22,763	19,527	543	20,070	2,693
<b>Fiduciary</b>							
Agency	43,293	223,992	267,285	235,985	28,522	264,507	2,778
<b>Total (Memorandum Only)</b>	<b><u>\$197,967</u></b>	<b><u>\$9,746,459</u></b>	<b><u>\$9,944,426</u></b>	<b><u>\$8,851,458</u></b>	<b><u>\$248,809</u></b>	<b><u>\$9,100,267</u></b>	<b><u>\$844,159</u></b>

*The notes to the financial statements are an integral part of this statement.*

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**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001**

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

National Trail Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and the laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 65 non-certified and approximately 91 certified teaching personnel and administrative employees providing education to 1,235 students.

**Reporting Entity**

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

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

The District is associated with three organizations which are defined as jointly governed organizations, one insurance purchasing pool, and one public entity risk pool. These organizations include (for transmission of reports), the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Instructional Technology Association (SOITA), the Southwestern Ohio Educational Purchasing Cooperative (SOEPC), Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (SOEPC GRP), and Preble County Schools Regional Council of Governments. These organizations are presented in Notes 10, 11 and 12 to the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on a basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The Ohio Department of Education may place the District in "fiscal caution" status for failing to follow generally accepted accounting principles. This status would require the District to submit a corrective action plan to the Department.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

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

These statements include adequate disclosure of material matters, as formerly prescribed or permitted for school districts by the Auditor of State.

**A. Basis of Presentation - Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Fund Types:**

**General Fund**

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

**Special Revenue Funds**

The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

**Debt Service Funds**

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

**Capital Projects Funds**

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

**Proprietary Fund Types:**

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's proprietary fund types:

**Enterprise Funds**

The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

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

(b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Internal Service Funds**

The internal service funds are used to account for operations that provide services to other departments of the District, or to other governments, on a cost-reimbursement basis.

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust and agency funds.

**B. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

**2. Estimated Resources**

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 1999, unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**4. Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

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

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**C. Cash and Investments**

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's accounting records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

During fiscal year 2001, the District's investments were limited to funds invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

**D. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures.

**E. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**F. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. DEPOSITS AND INVESTMENTS**

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

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



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

Interim monies may 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 or interest by the United States;
2. Bonds, notes debentures or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio)
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

**Deposits:** At fiscal year end, the carrying amount (not including payroll clearance account) of the District's deposits was \$1,956,322 and the bank balance was \$2,110,671. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,010,671 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District is in Star Ohio, an investment pool operated by the Ohio State Treasurer, a non-categorized investment since it is not evidenced by securities that exist in physical book entry form. At June 30, 2001, the District had an investment of \$1,803 Star Ohio.

**4. DEBT OBLIGATIONS**

Debt outstanding at June 30, 2001, consisted of the following:

Energy Conservation Notes	
Principal Outstanding	\$ 20,000
Interest Rate	6.700 %
 School Improvement Bonds	
Principal Outstanding	\$3,240,000
Interest Rate	5.730 %

The outstanding energy conservation notes consisted of an original issue of \$155,000 whose purpose was to implement the energy conservation measures provided for in House Bill 264.

The outstanding school improvement bonds were issued for the construction of a new school building in 1997.

General obligation bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all property in the District.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**4. DEBT OBLIGATIONS (Continued)**

The total requirements to amortize all debt outstanding as of June 30, 2001, including interest are annually listed as follows:

Year Ending June 30	Energy Conservation Notes	School Improvement Bonds
2002	\$21,340	\$264,593
2003	0	265,993
2004	0	277,083
2005	0	272,433
2006	0	277,683
2007-2011	0	1,495,028
2012-2016	0	1,554,520
2017-2020	<u>0</u>	<u>998,320</u>
Total	<u>\$21,340</u>	<u>\$5,405,653</u>

**5. PROPERTY TAX**

Real property taxes are levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last appraisal was completed for tax year 1999.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established. The state automatically allows 30 days for extension and the County Treasurer may request additional 30 days.

The full tax rate applied to real property for the fiscal year ended June 30, 2001, was \$35.48 per \$1,000 of assessed valuation. After adjustment of the rate of inflationary increases in property values, the effective tax rate was \$27.40 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$27.96 per \$1,000 of assessed valuation for all other real property.

Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended June 30, 2001, was \$35.48 per \$1,000 of assessed valuation.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**5. PROPERTY TAX (Continued)**

Real Property - 2000 Valuation	
Residential/Agricultural	\$76,029,610
Commercial/Industrial	9,555,750
Public Utilities	35,380
Tangible Personal Property - 2001 Valuation	
General	8,956,560
Public Utilities	<u>4,715,730</u>
Total Valuation	<u>\$99,293,030</u>

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 County by June 30, 2001, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**6. INCOME TAX**

The District levies a voted tax of 1 percent for general operations on the income of residents and estates. The tax was effective on January 1, 1992, and is a continuing tax. 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 total amount of \$910,087 was received during the fiscal year ending June 30, 2001. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**7. RISK MANAGEMENT**

**A. Other Insurance**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001 the District contracted with Nationwide Insurance Company for property and fleet insurance, liability insurance, and inland marine coverage.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reductions in coverage from prior years.

**B. Workers' Compensation**

For fiscal year 2001, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (SOEPC GRP), an insurance purchasing pool. The intent of the SOEPC GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SOEPC GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the SOEPC GRP.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Each participant pays its workers' compensation premium to the State based on the rate for the SOEPC 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 SOEPC 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 SOEPC GRP. Participation in the SOEPC GRP is limited to school districts that can meet the SOEPC GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the SOEPC GRP.

**C. Employee Medical Benefits**

For fiscal year 2001, the School District also participated in the Preble County Schools Regional Council of Governments (COG), a public entity risk pool (Note 12), in order to provide medical benefits to its employees. The COG is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the COG.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the 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 District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$157,176, \$165,870 and \$167,064, respectively. All required contributions have been made.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$533,376, \$512,304 and \$515,916, respectively. All required contributions have been made.

**9. POST-EMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**10. JOINTLY GOVERNED ORGANIZATIONS**

**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 Montgomery County Educational Service acts as the Fiscal agent for the group. 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 by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit 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 2001 the District paid \$2,285 to SOEPC. To obtain financial information write to Southwestern Ohio Educational Purchasing Council, Robert Brown serving as director at 1831 Harshman Road, Dayton, Ohio 45424.

**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, Hamilton, Preble, and Warren Counties and Cities of Eaton, Edgewood, Fairfield, Franklin, Hamilton, Lebanon, Loveland, Mason, Middletown, Oxford, and Springboro. 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 county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid SWOCA \$23,042 for services provided during the year. Financial information can be obtained from K. Michael Crumley, who serves as director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. 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. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run.

One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area representative. 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 2001, the School District paid \$6,072 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**11. GROUP INSURANCE PURCHASING POOL**

The District is a member of the Southwestern Ohio Educational Purchasing Council (the Council), a public entity shared risk pool consisting of seventy school districts. The Cooperative is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Directors which advises the Trustee, National City Bank, concerning aspects of the administration of the Council.

Each school district decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Cooperative is by written application subject to acceptance by the Board of Directors and payment of monthly premiums. Financial information can be obtained from Barbara Coriell, who serves as administrator, at EPC Benefits Office, 1831 Harshman Road, Dayton, Ohio 45424.

The District participates in the Southwestern Ohio Educational Purchasing Cooperation Workers' Compensation Group Rating Program (SOEPC GRP), an insurance purchasing pool. The SOEPC GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the EPC. The Executive Director of the EPC, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the SOEPC GRP to cover the costs of administering the program.

**12. PUBLIC ENTITY RISK POOL**

**Preble County Schools Regional Council of Governments** - The Preble County Schools Regional Council of Governments (COG), an insurance purchasing pool, was formed by five local school districts and the Preble County Educational Service Center to provide medical benefits to school district participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the fund trustee for insurance coverage which is provided by Community Mutual. The premium is based on what an insurer estimates will cover the costs of all claims for which the insurer is obligated. If the District's losses exceed its premiums, there is no individual supplemental assessment; if the District's losses are low, it will not receive a refund.

The COG is governed by an administrative committee consisting of the superintendent from each participating district. The degree of control exercised by any participating school district is limited to its representation on the committee.

**13. STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**13. STATUTORY RESERVES (Continued)**

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-Aside Cash Balance June 30, 2000	\$ (7,256)	\$ 0	\$ 143,074	\$ 135,818
Current Year Set-Aside Requirement	178,740	178,740	143,074	500,554
Addition to Reserve Required by Law (Bureau of Worker's Compensation Refunds received prior to 4/10/01)	0	0	1,239	1,239
Current Year Offset	0	0	0	0
Qualifying Disbursements	<u>(239,631)</u>	<u>(251,848)</u>	<u>0</u>	<u>(491,479)</u>
Cash Balance Carried Forward to FY 2002	<u>\$ (68,147)</u>	<u>\$ (73,108)</u>	<u>\$144,313</u>	
Total Restricted General Fund Balance As of June 30, 2001				<u><u>\$144,313</u></u>

Although the School District had qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for textbooks. The negative amount for capital maintenance is not carried forward to the next fiscal year.

Effective April 10, 2001, S.B. No. 345 eliminated the requirement that districts establish and maintain a budget stabilization reserve. Any balance (this includes the amount representing required BWC deposits and the amount representing other required deposits) remaining in the previously required budget reserve at April 10, 2001, may at the Board's discretion be left in the reserve account and used by the board to offset any budget deficit the district may experience in future years.

**14. CONTINGENCIES**

**A. Grants**

The 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 District at June 30, 2001.

**B. Litigation**

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**15. STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 2, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the court granted this motion for reconsideration. The court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**16. PRIOR PERIOD ADJUSTMENT**

In a prior audit an adjustment of \$2,085 was incorrectly posted to the Capital Projects Fund. The adjustment should have posted to the Special Revenue Fund.

**17. SUBSEQUENT EVENT**

The District obtained a loan on August 28, 2001, for \$380,000 at 4.85%. The loan proceeds are to be used for school building improvements. The loan is to be repaid in annual installments of \$58,605 beginning August 28, 2002. The final payment will be due on August 28, 2009.

**18. NONCOMPLIANCE**

The District had the following instances of material noncompliance during the fiscal year:

- Preparation of financial statements on a Cash rather than GAAP basis;
- Failure to properly certify the availability of funds for expenditures

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	n/a	10.550		\$13,983		\$14,219
Child Nutrition Cluster:						
National School Breakfast Program	049270-05-PU-00 049270-05-PU-01	10.553	\$1,788 15,095		\$1,788 15,095	
Total National School Breakfast Program			16,883		16,883	
National School Lunch Program	049270-LL-P1-00 049270-LL-P4-00 049270-LL-P1-01 049270-LL-P4-01	10.555	5,486 1,706 43,670 12,866		5,486 1,706 43,670 12,866	
Total National School Lunch Program			63,728		63,728	
Total Child Nutrition Cluster			80,611		80,611	
Total U.S. Department of Agriculture			80,611	13,983	80,611	14,219
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	049270-6B-SF-00P	84.027	82,173		77,605	
Special Education - Preschool Grant	049270-PG-S1-00P	84.173	1,264		1,191	
Total Special Education Cluster			83,437		78,796	
Grants to Local Educational Agencies (ESEA Title I)	049270-C1-S1-00 049270-C1-S1-01	84.010	41,729 149,544		79,929 151,937	
Total Grants to Local Educational Agencies			191,273		231,866	
Goals 2000	049270-G2-S2-00 049270-G2-S2-01	84.276	14,000 13,000		9,243	
Total Goals 2000			27,000		9,243	
Drug Free Schools	049270-DR-S1-01	84.186	5,207		5,207	
Eisenhower Professional Development Grant	049270-MS-S1-01	84.281	5,627		5,627	
Innovative Education Program Strategies	049270-C2-S1-01	84.298	6,215		6,215	
Class Size Reduction	049270-CR-S1-01	84.340	22,652		22,119	
<i>Passed Through Miami Valley Career Technology Center:</i>						
Vocational Education	n/a	84.048			2,050	
Total U.S. Department of Education			341,411		361,123	
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$422,022</b>	<b>\$13,983</b>	<b>\$441,734</b>	<b>\$14,219</b>

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL 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 National Trail Local School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 2001, and have issued our report thereon dated November 2, 2001, which was modified because the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether National Trail Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-10368-001 and 2001-10368-002.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated November 2, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-10368-001, 2001-10368-002, and 2001-10368-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

National Trail Local School District  
Preble County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated November 2, 2001.

This report is intended for the information and use of the audit committee, management, Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

November 2, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND 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 District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

National Trail Local School District  
Preble County  
Report of Independent Accountant on Compliance with Requirements  
Applicable to Each Major Federal Program and Internal Control Over  
Compliance in Accordance with OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

November 2, 2001



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I - CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**FINDING 2001-10368-001**

**Material Noncompliance/Reportable Condition - Basis of Accounting for Financial Reporting**

**Ohio Administrative Code, Section 117-2-03 (B)**, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

In addition, the Ohio Department of Education may place the District in “fiscal caution” status for failing to follow generally accepted accounting principles. This status would require the District to submit a corrective action plan to the Department.

**FINDING 2001-10368-002**

**Material Noncompliance/Reportable Condition - Certification of Funds**

**Ohio Rev. Code, Section 5705.41 (D)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision’s fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

Seventeen percent of expenditures tested for the audit period were not properly certified.

Failure to properly certify funds can result in overspending funds and negative cash fund balances.

We recommend the District properly certify funds by obtaining approved purchase orders, which contain the Treasurer’s certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

**FINDING 2001-10368-003**

**Reportable Condition - Student Activity Budgets/Ticket Accountability Sheets**

Of student activity budgets tested, seventy-one percent were not signed by the building principal or appropriate supervisor. Of ticket accountability sheets tested, twenty percent were signed by only one person (there are lines for three people to sign).

Failure to properly sign student activity budgets and ticket accountability sheets could result in the misappropriation of District revenues.

We recommend the District properly sign all student activity budgets and ticket accountability sheets.

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

None

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**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2000-10368-001	Citation per Ohio Admin. Code Section 117-2-0 for not preparing financial statements in accordance with generally accepted accounting principles.	No	Not corrected - Reissued as Finding 2001-10368-001
2000-10368-002	Citation per Ohio Rev. Code Section 5705.41 (D) for encumbering.	No	Not corrected - Reissued as Finding 2001-10368-002
2000-10368-003	Citation per Ohio Rev. Code Section 5705.412 for not issuing all required 412 certificates.	Yes	The District corrected this matter.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**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  
DECEMBER 4, 2001**