



**Auditor of State  
Betty Montgomery**



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

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## Auditor of State Betty Montgomery

### 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 National Trail Local School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 2003. 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 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes 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, 2003, 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 March 29, 2004, 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.

The accompanying federal awards expenditures schedule is presented for 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 29, 2004

**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, 2003**

Cash and Cash Equivalents	\$1,732,010
Investments	<u>1,876</u>
Total cash and investments	<u><u>\$1,733,886</u></u>

**CASH BALANCES BY FUND TYPE**

**Governmental funds:**

General fund	\$678,750
Special revenue funds	207,408
Debt service funds	514,372
Capital projects funds	215,392

**Proprietary funds:**

Enterprise funds	48,896
Internal service funds	6,350

**Fiduciary funds:**

Expendable trust funds	4,680
Agency funds	<u>58,038</u>

Total	<u><u>\$1,733,886</u></u>
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*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, 2003**

	Governmental Fund Types			Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
	General	Special Revenue	Debt Service		
<b>Cash Receipts:</b>					
Receipts from Local Sources:					
Taxes	\$3,064,676	\$44,198	\$237,144		\$3,346,018
Tuition	9,448				9,448
Transportation Fees	175				175
Earning on Investments	34,203			\$3,083	37,286
Extracurricular Activities		92,562		\$913	93,475
Classroom Materials & Fees	762				762
Miscellaneous	21,722	3,439		653	27,454
Revenue from Intermediate Sources:					
Restricted Grants in Aid		500			500
Receipts from State Sources:					
Unrestricted Grants in Aid	4,542,857	5,652	30,265		4,578,774
Restricted Grants in Aid	301,617	40,468			342,085
Receipts from Federal Sources:					
Unrestricted Grants in Aid		4,010			4,010
Restricted Grants in Aid	2,558	412,509			415,067
<b>Total Cash Receipts</b>	<b>7,978,018</b>	<b>603,338</b>	<b>267,409</b>	<b>3,736</b>	<b>8,855,054</b>
<b>Cash Disbursements:</b>					
Current:					
Instruction:					
Regular	4,257,518	79,253		15,558	4,354,625
Special	731,484	257,884		2,296	989,368
Vocational	206,439	1,687		4,446	212,572
Adult/Continuing	7,279				7,279
Other Instruction	68,987				68,987
Supporting Service:					
Pupils	332,639	127,392			460,031
Instructional	293,855	13,010			306,865
Board of Education	38,178				38,178
Administration	794,532	1,066	5,710		801,308
Fiscal Services	170,138				170,138
Operation and Maintenance - Plant	709,033	66,373		44,655	820,620
Pupil Transportation	641,787	1,017		559	642,804
Central	53,885	4,010			57,895
Operation of Non-Instructional Services:					
Community Services	2,575				2,575
Extracurricular Activities:					
Academic and Subject Oriented Activities	17,012	725			17,737
Occupation Oriented Activities	188				188
Sports Oriented	89,635	58,487			148,122
Co-Curricular	13,124	12,790			25,914
Facilities Acquisition & Construction Services:					
Architecture and Engineering				1,480	1,480
Building Improvement				7,250	7,250
Debt Service:					
Principal Retirement	39,919		85,000		124,919
Interest and Fiscal Charges	18,686		179,038		197,724
<b>Total Cash Disbursements</b>	<b>8,486,893</b>	<b>623,694</b>	<b>269,748</b>	<b>73,389</b>	<b>9,456,579</b>
<b>Excess of Receipts (Under) Disbursements:</b>	<b>(508,875)</b>	<b>(20,356)</b>	<b>(2,339)</b>	<b>(69,653)</b>	<b>(302)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Assets	1,717				1,717
Transfers-in	17,463	75,328			92,791
Advances-in	185,695	74,252			259,947
Refund of Prior Year Disbursements	23,893	3,369			27,262
Transfers-out	(55,222)			(37,569)	(92,791)
Advances-out	(125,367)	(135,695)			(261,062)
<b>Total other financing receipts/(disbursements)</b>	<b>48,179</b>	<b>17,254</b>	<b>0</b>	<b>(37,569)</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(460,696)</b>	<b>(3,102)</b>	<b>(2,339)</b>	<b>(107,222)</b>	<b>(302)</b>
<b>Fund Cash Balances, July 1, 2002</b>	<b>1,139,446</b>	<b>210,510</b>	<b>516,711</b>	<b>322,614</b>	<b>4,982</b>
<b>Fund Cash Balances, June 30, 2003</b>	<b>\$678,750</b>	<b>\$207,408</b>	<b>\$514,372</b>	<b>\$215,392</b>	<b>\$4,680</b>
<b>Reserve for Encumbrances, June 30, 2003</b>	<b>\$170,473</b>	<b>\$74,966</b>	<b>\$0</b>	<b>\$15,065</b>	<b>\$1,007</b>
<b>Reserve for Budget Stabilization, June 30, 2003</b>	<b>\$144,313</b>				<b>\$144,313</b>

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, 2003**

	<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 Cash Receipts:</b>				
Food Services	\$281,266			\$281,266
Extracurricular Activities		\$35,276	\$208,758	244,034
Classroom Materials & Fees	55,202			55,202
<b>Total Operating Cash Receipts</b>	<u>336,468</u>	<u>35,276</u>	<u>208,758</u>	<u>580,502</u>
<b>Operating Cash Disbursements:</b>				
Personal Services - Salaries	153,492			153,492
Employees' Retirement and Insurance	53,407			53,407
Purchased Services	4,259		885	5,144
Supplies and Materials	240,786			240,786
Other Objects	526	34,183	237,478	272,187
<b>Total Operating Cash Disbursements</b>	<u>452,470</u>	<u>34,183</u>	<u>238,363</u>	<u>725,016</u>
Excess of Operating Receipts Over/(Under) Operating Disbursements	<u>(116,002)</u>	<u>1,093</u>	<u>(29,605)</u>	<u>(144,514)</u>
<b>Non-Operating Cash Receipts:</b>				
Earnings on Investments	49			49
Miscellaneous		350	5,667	6,017
Sale and Loss of Assets	50			50
Receipts from State Sources:				
Restricted Grants in Aid	4,955			4,955
Receipts for Federal Sources:				
Unrestricted Grants in Aid	86,382			86,382
Refund of Prior Years Expenditures	1,918		664	2,582
<b>Total Non-Operating Cash Receipts</b>	<u>93,354</u>	<u>350</u>	<u>6,331</u>	<u>100,035</u>
Excess of Receipts Over/(Under) Disbursements	<u>(22,648)</u>	<u>1,443</u>	<u>(23,274)</u>	<u>(44,479)</u>
<b>Other financing receipts/(disbursements):</b>				
Advances-in	50,000		1,115	51,115
Advances-out	(50,000)			(50,000)
<b>Total other financing receipts/(disbursements)</b>	<u>0</u>	<u>0</u>	<u>1,115</u>	<u>1,115</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(22,648)</u>	<u>1,443</u>	<u>(22,159)</u>	<u>(43,364)</u>
Fund Cash Balances, July 1, 2002	<u>71,544</u>	<u>4,907</u>	<u>80,197</u>	<u>156,648</u>
<b>Fund Cash Balances, June 30, 2003</b>	<u><u>\$48,896</u></u>	<u><u>\$6,350</u></u>	<u><u>\$58,038</u></u>	<u><u>\$113,284</u></u>
Reserve for encumbrances, June 30, 2003	<u><u>\$6,223</u></u>	<u><u>\$4</u></u>	<u><u>\$19,325</u></u>	<u><u>\$25,552</u></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, 2003**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Fund Types/Funds:</b>			
<b>Governmental</b>			
General Fund	\$8,011,719	\$8,021,091	\$9,372
Special Revenue Funds	766,468	682,035	(84,433)
Debt Service Fund	258,668	267,409	8,741
Capital Projects Funds	3,571	3,736	165
Expendable Trust Funds	2,390	2,553	163
<b>Proprietary</b>			
Enterprise Funds	424,053	429,822	5,769
Internal Service Funds	35,626	35,626	0
<b>Fiduciary</b>			
Agency	<u>213,084</u>	<u>215,089</u>	<u>2,005</u>
<b>Total (Memorandum Only)</b>	<b><u><u>\$9,715,579</u></u></b>	<b><u><u>\$9,657,361</u></u></b>	<b><u><u>(\$58,218)</u></u></b>

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

NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Fund Types/Funds:	Prior Year		Total	Actual Disbursements	Outstanding Encumbrances	Total	Variance Favorable (Unfavorable)
	Carryover	Appropriations					
<b>Governmental</b>							
General Fund	\$286,932	\$8,659,636	\$8,946,568	\$8,542,115	\$170,473	\$8,712,588	\$233,980
Special Revenue Funds	42,150	794,331	836,481	623,694	74,966	698,660	137,821
Debt Service Fund		273,500	273,500	269,748		269,748	3,752
Capital Projects Funds	8,163	296,609	304,772	110,958	15,065	126,023	178,749
Expendable Trust Funds	515	4,673	5,188	2,855	1,007	3,862	1,326
<b>Proprietary</b>							
Enterprise Funds	225	426,905	427,130	452,470	6,223	458,693	(31,563)
Internal Service Funds	79	38,273	38,352	34,183	4	34,187	4,165
<b>Fiduciary</b>							
Agency	27,841	252,240	280,081	238,363	19,325	257,688	22,393
<b>Total (Memorandum Only)</b>	<b>\$365,905</b>	<b>\$10,746,167</b>	<b>\$11,112,072</b>	<b>\$10,274,386</b>	<b>\$287,063</b>	<b>\$10,561,449</b>	<b>\$550,623</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, 2003**

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

National Trail Local School District, Preble County, Ohio (the District), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and 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 59 non-certified and approximately 92 certified teaching personnel and administrative employees providing education to 1,198 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).

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)**

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

**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 Fund**

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 are 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 (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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)**

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

**Internal Service Fund**

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, 2002, 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.

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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)**

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

**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 2003, 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, 2003.

**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.

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.



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)**

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

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.

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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)**

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

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 \$1,732,010 and the bank balance was \$1,941,974. Of the bank balance, \$229,914 was covered by federal depository insurance and \$1,712,060 was covered by a letter of credit with Federal Home Loan Bank of Cincinnati listing National Trail Local School District as the beneficiary. 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, 2003, the District had an investment of \$1,876 Star Ohio.

**4. DEBT OBLIGATIONS**

Debt outstanding at June 30, 2003, consisted of the following:

HB 264 Note	
Principal Outstanding	\$ 340,081
Interest Rate	4.850 %
School Improvement Bonds	
Principal Outstanding	\$ 3,075,000
Interest Rate	5.730 %

The HB 264 Note consisted of an original issue of \$380,000 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, 2003  
(Continued)**

**4. DEBT OBLIGATIONS (Continued)**

The total requirements to amortize all debt outstanding as of June 30, 2003, including interest are annually listed as follows:

Year Ending June 30	HB 264 Energy Note	School Improvement Bonds
2004	\$58,605	\$274,758
2005	58,605	270,058
2006	58,605	275,015
2007	58,605	284,254
2008	58,605	291,680
2009-2013	117,210	1,500,960
2014-2018	0	1,550,560
2019	<u>0</u>	<u>339,240</u>
Total	<u>\$410,235</u>	<u>\$4,786,525</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, 2003, was \$35.18 per \$1,000 of assessed valuation. After adjustment of the rate of inflationary increases in property values, the effective tax rate was \$27.37 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$27.44 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, 2003, was \$35.18 per \$1,000 of assessed valuation.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)**

**5. PROPERTY TAX (Continued)**

Real Property - 2002 Valuation	
Residential/Agricultural	\$82,324,890
Commercial/Industrial	9,838,690
Public Utilities	27,620
Tangible Personal Property - 2003 Valuation	
General	4,866,440
Public Utilities	<u>7,813,380</u>
Total Valuation	<u>\$104,871,020</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, 2003, are available to finance fiscal year 2004 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 \$930,656 was received during the fiscal year ending June 30, 2003. 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 2003 the District contracted with Nationwide Insurance Company liability insurance. The District contracted with Acord Insurance Company for auto and property insurance.

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2003, 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. 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 2003, 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, 2003, 2002, and 2001 were \$180,516, \$162,524 and \$157,176, respectively. All required contributions have been made.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

**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.

For the fiscal year ended June 30, 2003, 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 2003, 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, 2003, 2002, and 2001 were \$553,968, \$535,884 and \$533,376, 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, 2003, 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, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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, 2002, employer contributions to fund health care benefits were 8.5 percent of covered payroll, a decrease of 1.3 percent from fiscal year 2001. 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 2002, the minimum pay was established at \$12,400.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

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, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**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 2003 the District paid \$2,934 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 \$21,252 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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)**

**10. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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 2003, the School District paid \$4362 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.

**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.



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)**

**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, 2003, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-Aside Reserve Balance June 30, 2002	\$ (199,027)	\$ 0	\$ 144,313	\$(54,714)
Current Year Set-Aside Requirement	182,113	182,113	0	364,226
Current Year Offset	0	0	0	0
Qualifying Disbursements	<u>(462,229)</u>	<u>(248,019)</u>	<u>0</u>	<u>(710,248)</u>
Set-Aside Balance Carried Forward to FY 2004	<u>\$ (479,143)</u>	<u>\$ 0</u>	<u>\$144,313</u>	
 Total Restricted General Fund Balance As of June 30, 2003				 <u>\$144,313</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, 2003.

**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, 2003  
(Continued)**

**15. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

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		\$ 28,825		\$ 28,825
Child Nutrition Cluster: National School Breakfast Program	049270-05PU-2002 049270-05PU-2003	10.553	\$ 1,812 13,531		\$ 1,812 13,531	
Total National School Breakfast Program			15,343		15,343	
National School Lunch Program	049270-LLP4-2002 049270-LLP4-2003	10.555	8,344 63,070		8,344 63,070	
Total National School Lunch Program			71,414		71,414	
Total Child Nutrition Cluster			86,757		86,757	
Total U.S. Department of Agriculture			86,757	28,825	86,757	28,825
<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)	049270-6BSF-2002-P 049270-6BSF-2003-P	84.027	15,903 100,548		123,887	
Total Special Education Grants to States			116,451		123,887	
Special Education - Preschool Grant	049270-PGS1-2002P 049270-PGS1-2003-P	84.173	1,537		480	
Total Special Education - Preschool Grant			1,537		480	
Total Special Education Cluster			117,988		124,367	
Grants to Local Educational Agencies (ESEA Title I)	049270-C1S1-2001 049270-C1S1-2002 049270-C1S1-2003	84.010	29,326 70,616 120,169		42,295 164,115	
Total Grants to Local Educational Agencies			220,111		206,410	
Technology Literacy Challenge Grant	049270-TJS1-2003	84.318	884		749	
Drug Free Schools	049270-DRS1-2003	84.186	6,303		6,303	
School Renovation Grants	049270-ATS3-2002	84.352A	2,686		81	
Innovative Education Program Strategies	049270-C2S1-2002 049270-C2S1-2003	84.298	4,486 6,457		6,457	
Total Innovative Education Program Strategies			10,943		6,457	
Class Size Reduction	049270-CRS1-2002	84.340	21,470		7,869	
Improving Teacher Quality	049270-TRS1-2003	84.367	32,124		34,553	
Total U.S. Department of Education			412,509		386,789	
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ 499,266</b>	<b>\$ 28,825</b>	<b>\$ 473,546</b>	<b>\$ 28,825</b>

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

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

**NOTE C - MATCHING REQUIREMENTS**

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



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT 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, 2003, and have issued our report thereon dated March 29, 2004, which noted the District prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated March 29, 2004.

#### **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 2003-001 and 2003-002.

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. 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 March 29, 2004.

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.



**Betty Montgomery**  
Auditor of State

March 29, 2004



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS 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, 2003. 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, 2003.

#### 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.

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 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.



**Betty Montgomery**  
Auditor of State

March 29, 2004



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(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?	Yes

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

**FINDING 2003-001**

**Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 117.38, provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code, Section 117-2-03, further clarifies the requirements of Ohio Rev. Code, Section 117.38.

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 in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code, Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**FINDING 2003-002**

**Reportable Condition**

The District did not reconcile its payroll bank account during the audit period. The payroll account was reconciled subsequent to the start of our audit. Accurate and timely reconciliations are a basic and essential internal control component for sound fiscal management. The District's officials rely on accurate reconciliations when making financial decisions and failure to complete them could result in undetected errors occurring. The District should implement and follow written procedures for payroll reconciliations. Variances should be investigated immediately and any explanations noted.

**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, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2002-10368-001	Citation per Ohio Admin. Code Section 117-2-03 (B) for not preparing financial statements in accordance with generally accepted accounting principles.	No	Not corrected - Reissued as Finding 2003-001





**Auditor of State  
Betty Montgomery**

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Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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 20, 2004**