



Mary Taylor, CPA  
Auditor of State



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis .....	11
Statement of Activities – Cash Basis .....	12
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds .....	13
Statement of Cash Receipts, Disbursements and Changes In Fund Balances – Cash Basis - Governmental Funds .....	14
Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual – Budget Basis General Fund .....	15
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds .....	16
Statement of Changes in Fiduciary Net Assets – Cash Basis – Fiduciary Funds .....	17
Notes to the Basic Financial Statements .....	19
Federal Awards Receipts and Expenditures Schedule .....	43
Notes to the Federal Awards Receipts and Expenditures Schedule .....	44
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i> . .....	45
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133. ....	47
Schedule of Findings.....	49
Schedule of Prior Audit Findings .....	57

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of National Trail Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of National Trail Local School District, Preble County, Ohio, as of June 30, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Mary Taylor, CPA**  
Auditor of State

March 20, 2009

**National Trail Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

---

The discussion and analysis of National Trail Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008, within the limitations of the School District's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets increased \$373,362 which represents a 36.1 percent increase from fiscal year 2007.
- General receipts accounted for \$9,228,977 or 83.6 percent of all receipts. Program specific receipts in the form of charges for services, operating grants, interest and contributions, and capital grants and contributions accounted for \$1,806,640 or 16.4 percent of total receipts of \$11,035,617.
- The School District had \$10,662,255 in disbursements; only \$1,806,640 of these disbursements were offset by program specific charges for services, grants, interest, or contributions. General receipts (primarily taxes and entitlements) were \$9,228,977, which were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,481,225 in receipts and \$9,017,673 in disbursements. The General Fund's balance increased \$424,369 over fiscal year 2007.

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

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

#### *Report Components*

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

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

**National Trail Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

---

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

*Basis of Accounting*

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

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

**Reporting the School District as a Whole**

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

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during fiscal year 2008, within the limitations of cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program cash receipts for each governmental program. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program cash receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental program draws from the School District's general receipts.

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



**National Trail Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

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

*Fund Financial Statements*

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

*Governmental Funds*

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2008 compared to fiscal year 2007 on a cash basis:

Table 1 Net Assets			
	2008	2007	Change
<b>Assets</b>			
Current Assets	\$1,407,599	\$1,034,237	\$373,362
<b>Net Assets</b>			
Restricted	610,846	651,820	(40,974)
Unrestricted	796,753	382,417	414,336
<i>Total Net Assets</i>	<u>\$1,407,599</u>	<u>\$1,034,237</u>	<u>\$373,362</u>

Total net assets of governmental activities increased by \$373,362, due to an increase in income tax receipts. The School District began collecting an additional three-fourths percent income tax in January of 2006 and fiscal year 2007 was the first full fiscal year of collections. During 2008 the significant increase in income tax receipts were due to the collection of delinquent income taxes.

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2008 and 2007.

**National Trail Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

Table 2  
Changes in Net Assets

	2008	2007	Change
<b>Receipts</b>			
Program Receipts:			
Charges for Services	\$597,154	\$602,914	(\$5,760)
Operating Grants, Interest and Contributions	1,200,572	1,233,502	(32,930)
Capital Grants and Contributions	8,914	14,671	(5,757)
<i>Total Program Receipts</i>	<u>1,806,640</u>	<u>1,851,087</u>	<u>(44,447)</u>
General Receipts:			
Property Taxes	2,344,252	2,490,123	(145,871)
Income Tax	2,046,397	1,515,465	530,932
Grants and Entitlements not Restricted to Specific Programs	4,772,622	4,777,884	(5,262)
Investment Earnings	31,482	30,601	881
Gifts and Donations	6,337	41,238	(34,901)
Refunding Bonds Issued	0	1,600,000	(1,600,000)
Premium on Refunding Bonds Issued	0	103,765	(103,765)
Miscellaneous	27,887	28,721	(834)
<i>Total General Receipts</i>	<u>9,228,977</u>	<u>10,587,797</u>	<u>(1,358,820)</u>
<i>Total Receipts</i>	<u>11,035,617</u>	<u>12,438,884</u>	<u>(1,403,267)</u>
<b>Program Disbursements</b>			
Instruction:			
Regular	4,273,208	4,331,481	(58,273)
Special	1,363,269	1,302,772	60,497
Vocational	252,828	259,733	(6,905)
Adult Continuing	9,665	10,929	(1,264)
Support Services:			
Pupils	540,329	555,979	(15,650)
Instructional Staff	381,613	375,980	5,633
Board of Education	44,797	44,731	66
Administration	778,291	755,668	22,623
Fiscal	242,722	252,276	(9,554)
Operation and Maintenance of Plant	966,462	841,556	124,906
Pupil Transportation	646,718	703,851	(57,133)
Central	116,276	101,563	14,713
Operation of Non-Instructional Services	380,668	391,448	(10,780)
Extracurricular Activities	296,963	315,451	(18,488)
Principal Retirement	222,274	1,765,706	(1,543,432)
Interest and Fiscal Charges	146,172	194,252	(48,080)
Issuance Costs	0	43,463	(43,463)
<i>Total Disbursements</i>	<u>10,662,255</u>	<u>12,246,839</u>	<u>(\$1,584,584)</u>
<i>Change in Net Assets</i>	373,362	192,045	
<i>Net Assets at Beginning of Year</i>	1,034,237	842,192	
<i>Net Assets at End of Year</i>	<u>\$1,407,599</u>	<u>\$1,034,237</u>	

**National Trail Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

---

**Governmental Activities**

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 21.2 percent of receipts for governmental activities for the National Trail Local School District for fiscal year 2008. Grants and entitlements not restricted to specific programs made up 43.2 percent of receipts for governmental activities of the School District for fiscal year 2008.

Income tax receipts were \$2,046,397 for fiscal year 2008, up \$530,932 from fiscal year 2007. This increase was due to the collection of delinquent income taxes.

Instruction comprises 55.3 percent of School District disbursements and increased less than one percent from fiscal year 2007. Support services disbursements make up 34.9 percent of the disbursements and increased 2.4 percent from fiscal year 2007. The majority of this increase was in the operation and maintenance of plant program due to an increase of repairs and maintenance performed on the school buildings during fiscal year 2008.

The Statement of Activities shows the cost of program services and the charges for services and grants, interest and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services comparing fiscal years 2008 and 2007. That is, it identifies the cost of those services supported by tax receipts and unrestricted State entitlements.

**National Trail Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

Table 3  
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
<b>Instruction:</b>				
Regular	\$4,273,208	(\$4,089,305)	\$4,331,481	(\$4,149,897)
Special	1,363,269	(631,691)	1,302,772	(565,373)
Vocational	252,828	(209,163)	259,733	(218,292)
Adult Continuing	9,665	(9,665)	10,929	(9,450)
<b>Support Services:</b>				
Pupils	540,329	(417,351)	555,979	(440,422)
Instructional Staff	381,613	(325,605)	375,980	(286,241)
Board of Education	44,797	(44,797)	44,731	(44,731)
Administration	778,291	(778,291)	755,668	(755,668)
Fiscal	242,722	(242,722)	252,276	(252,276)
Operation and Maintenance of Plant	966,462	(959,087)	841,556	(835,676)
Pupil Transportation	646,718	(608,339)	703,851	(645,645)
Central	116,276	(111,326)	101,563	(96,793)
Operation of Non-Instructional Services	380,668	22,197	391,448	(10,955)
Extracurricular Activities	296,963	(82,024)	315,451	(80,912)
Principal Retirement	222,274	(222,274)	1,765,706	(1,765,706)
Interest and Fiscal Charges	146,172	(146,172)	194,252	(194,252)
Issuance Costs	0	0	43,463	(43,463)
<i>Total Disbursements</i>	<u>\$10,662,255</u>	<u>(\$8,855,615)</u>	<u>\$12,246,839</u>	<u>(\$10,395,752)</u>

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

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$11,035,617 and disbursements of \$10,662,255. The General Fund had an increase in fund balance of \$424,369 due to the increase in income tax receipts. The Bond Retirement Debt Service Fund had a decrease in fund balance of \$48,170 due to the debt service payments.

### **General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**National Trail Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

---

During the course of fiscal year 2008 the School District revised its budget as it attempted to deal with unexpected changes in receipts and disbursements. A summary of the General Fund's original and final budgeted amounts is listed on page 14, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, final budget basis receipts were \$9,445,462 which was \$336,236 above the original estimates of \$9,109,226 mainly due to income tax collections being higher than anticipated. Final budget basis disbursements were \$9,495,131 which was \$123,329 above the original estimates of \$9,371,802.

The School District's ending unobligated General Fund cash balance was \$384,934.

### **Debt Administration**

At June 30, 2008, the School District had \$2,696,246 of debt outstanding. Table 4 summarizes the debt outstanding:

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

	<u>2008</u>	<u>2007</u>
Mechanical Pump Room Note	\$236,246	\$278,520
School Improvement Bonds	900,000	1,040,000
School Improvement Refunding Bonds	<u>1,560,000</u>	<u>1,600,000</u>
	<u>\$2,696,246</u>	<u>\$2,918,520</u>

The School District's overall legal debt margin was \$7,697,302 with an unvoted debt margin of \$107,992 at June 30, 2008.

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

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

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

**This page intentionally left blank.**

**National Trail Local School District**  
Statement of Net Assets - Cash Basis  
June 30, 2008

---

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,407,599</u>
<b>Net Assets</b>	
Restricted for:	
Debt Service	438,062
Capital Outlay	11,473
Food Service	44,723
Classroom Facilities Maintenance	4,961
Student Managed Activities	69,811
Miscellaneous State Grants	18,871
Other Purposes	22,945
Unrestricted	<u>796,753</u>
<i>Total Net Assets</i>	<u><u>\$1,407,599</u></u>

See Accompanying Notes to the Basic Financial Statements

**National Trail Local School District**  
Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2008

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants, Interest and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$4,273,208	\$150,176	\$33,727	\$0	(\$4,089,305)
Special	1,363,269	0	731,578	0	(631,691)
Vocational	252,828	0	43,665	0	(209,163)
Adult Continuing	9,665	0	0	0	(9,665)
Support Services:					
Pupils	540,329	0	122,978	0	(417,351)
Instructional Staff	381,613	0	56,008	0	(325,605)
Board of Education	44,797	0	0	0	(44,797)
Administration	778,291	0	0	0	(778,291)
Fiscal	242,722	0	0	0	(242,722)
Operation and Maintenance of Plant	966,462	0	7,375	0	(959,087)
Pupil Transportation	646,718	0	29,465	8,914	(608,339)
Central	116,276	0	4,950	0	(111,326)
Operation of Non-Instructional Services	380,668	232,039	170,826	0	22,197
Extracurricular Activities	296,963	214,939	0	0	(82,024)
Principal Retirement	222,274	0	0	0	(222,274)
Interest and Fiscal Charges	146,172	0	0	0	(146,172)
<i>Total Governmental Activities</i>	<u>\$10,662,255</u>	<u>\$597,154</u>	<u>\$1,200,572</u>	<u>\$8,914</u>	<u>(8,855,615)</u>
<b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes					2,057,672
Debt Service					241,985
Other Purposes					44,595
Income Tax					2,046,397
Grants and Entitlements not Restricted to Specific Programs					4,772,622
Investment Earnings					31,482
Gifts and Donations					6,337
Miscellaneous					27,887
<i>Total General Receipts</i>					<u>9,228,977</u>
<i>Change in Net Assets</i>					373,362
<i>Net Assets at Beginning of Year</i>					<u>1,034,237</u>
<i>Net Assets at End of Year</i>					<u><u>\$1,407,599</u></u>

See Accompanying Notes to the Basic Financial Statements



**National Trail Local School District**  
Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$767,509	\$438,062	\$190,555	\$1,396,126
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	11,473	0	0	11,473
<i>Total Assets</i>	<u>\$778,982</u>	<u>\$438,062</u>	<u>\$190,555</u>	<u>\$1,407,599</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	\$120,399	\$0	\$31,282	\$151,681
Reserved for Bus Purchases	11,473	0	0	11,473
Unreserved, Undesignated, Reported in:				
General Fund	647,110	0	0	647,110
Special Revenue Funds	0	0	159,273	159,273
Debt Service Fund	0	438,062	0	438,062
<i>Total Fund Balances</i>	<u>\$778,982</u>	<u>\$438,062</u>	<u>\$190,555</u>	<u>\$1,407,599</u>

See Accompanying Notes to the Basic Financial Statements

**National Trail Local School District**  
Statement of Cash Receipts, Disbursements and Changes in  
Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$2,057,672	\$241,985	\$44,595	\$2,344,252
Income Tax	2,046,397	0	0	2,046,397
Intergovernmental	5,217,545	32,163	732,377	5,982,085
Investment Earnings	31,482	0	23	31,505
Tuition and Fees	71,836	0	40,789	112,625
Rent	7,125	0	0	7,125
Extracurricular Activities	29,249	0	216,116	245,365
Gifts and Donations	790	0	5,547	6,337
Charges for Services	0	0	232,039	232,039
Miscellaneous	19,129	0	8,758	27,887
<i>Total Receipts</i>	<u>9,481,225</u>	<u>274,148</u>	<u>1,280,244</u>	<u>11,035,617</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	4,155,671	0	117,537	4,273,208
Special	985,605	0	377,664	1,363,269
Vocational	252,740	0	88	252,828
Adult Continuing	9,665	0	0	9,665
Support Services:				
Pupils	412,980	0	127,349	540,329
Instructional Staff	308,764	0	72,849	381,613
Board of Education	44,797	0	0	44,797
Administration	770,129	6,869	1,293	778,291
Fiscal	242,722	0	0	242,722
Operation and Maintenance of Plant	912,898	0	53,564	966,462
Pupil Transportation	646,714	0	4	646,718
Central	110,727	0	5,549	116,276
Operation of Non-Instructional Services	215	0	380,453	380,668
Extracurricular Activities	111,049	0	185,914	296,963
Debt Service:				
Principal Retirement	42,274	180,000	0	222,274
Interest and Fiscal Charges	10,723	135,449	0	146,172
<i>Total Disbursements</i>	<u>9,017,673</u>	<u>322,318</u>	<u>1,322,264</u>	<u>10,662,255</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>463,552</u>	<u>(48,170)</u>	<u>(42,020)</u>	<u>373,362</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	41,003	0	37,695	78,698
Transfers In	0	0	42,491	42,491
Advances Out	(37,695)	0	(41,003)	(78,698)
Transfers Out	(42,491)	0	0	(42,491)
<i>Total Other Financing Sources (Uses)</i>	<u>(39,183)</u>	<u>0</u>	<u>39,183</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	424,369	(48,170)	(2,837)	373,362
<i>Fund Balances at Beginning of Year</i>	<u>354,613</u>	<u>486,232</u>	<u>193,392</u>	<u>1,034,237</u>
<i>Fund Balances at End of Year</i>	<u>\$778,982</u>	<u>\$438,062</u>	<u>\$190,555</u>	<u>\$1,407,599</u>

See Accompanying Notes to the Basic Financial Statements

**National Trail Local School District**  
Statement of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$2,094,352	\$2,057,444	\$2,057,672	\$228
Income Tax	1,602,896	2,044,443	2,046,397	1,954
Intergovernmental	5,297,033	5,199,508	5,199,508	0
Investment Earnings	27,500	31,739	31,850	111
Tuition and Fees	39,325	71,536	71,836	300
Rent	8,500	6,550	7,125	575
Extracurricular Activities	32,000	28,944	29,249	305
Gifts and Donations	1,000	790	790	0
Miscellaneous	6,620	4,508	11,901	7,393
<i>Total Receipts</i>	<u>9,109,226</u>	<u>9,445,462</u>	<u>9,456,328</u>	<u>10,866</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	4,246,763	4,286,615	4,163,476	123,139
Special	995,172	1,027,966	985,605	42,361
Vocational	269,365	266,821	254,313	12,508
Adult Continuing	9,000	15,600	9,775	5,825
Support Services:				
Pupils	465,583	471,143	413,739	57,404
Instructional Staff	320,546	326,076	323,103	2,973
Board of Education	45,049	53,116	44,797	8,319
Administration	794,877	802,952	771,241	31,711
Fiscal	261,457	233,653	242,917	(9,264)
Operation and Maintenance of Plant	898,761	937,811	934,738	3,073
Pupil Transportation	773,328	769,530	724,450	45,080
Central	104,220	107,217	110,727	(3,510)
Operation of Non-Instructional Services	3,715	3,915	215	3,700
Extracurricular Activities	130,969	139,719	117,452	22,267
Debt Service:				
Principal Retirement	42,274	42,274	42,274	0
Interest and Fiscal Charges	10,723	10,723	10,723	0
<i>Total Disbursements</i>	<u>9,371,802</u>	<u>9,495,131</u>	<u>9,149,545</u>	<u>345,586</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(262,576)</u>	<u>(49,669)</u>	<u>306,783</u>	<u>356,452</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	41,003	41,003
Advances Out	0	0	(37,695)	(37,695)
Transfers Out	(75,000)	(67,400)	(42,491)	24,909
Refund of Prior Year Disbursements	25,000	25,000	25,265	265
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>(42,400)</u>	<u>(13,918)</u>	<u>28,482</u>
<i>Net Change in Fund Balance</i>	(312,576)	(92,069)	292,865	384,934
<i>Fund Balance at Beginning of Year</i>	291,400	291,400	291,400	0
<i>Prior Year Encumbrances Appropriated</i>	<u>62,845</u>	<u>62,845</u>	<u>62,845</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$41,669</u>	<u>\$262,176</u>	<u>\$647,110</u>	<u>\$384,934</u>

See Accompanying Notes to the Basic Financial Statements

**National Trail Local School District**  
Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
June 30, 2008

---

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$914	<u><u>\$47,602</u></u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u><u>\$47,602</u></u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u><u>\$914</u></u>	

See Accompanying Notes to the Basic Financial Statements

**National Trail Local School District**  
Statement of Changes in Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2008

---

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Miscellaneous	\$545
<b>Deductions</b>	
Miscellaneous	<u>545</u>
<i>Changes in Net Assets</i>	0
<i>Net Assets at Beginning of Year</i>	<u>914</u>
<i>Net Assets at End of Year</i>	<u><u>\$914</u></u>

See Accompanying Notes to the Basic Financial Statements

**This page intentionally left blank.**

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

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

*Reporting Entity:*

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

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

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

**A. Basis of Presentation**

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

*Government-wide Financial Statements:*

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

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



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

*Fund Financial Statements:*

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

**B. Fund Accounting**

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

*Governmental Funds:*

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

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

*Bond Retirement Fund* – The Bond Retirement Debt Service Fund is used to account for property tax receipts and State grants intended to offset tax exemptions to be used for the payment of general obligated bonded debt.

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

*Fiduciary Funds:*

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

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**D. Budgetary Process**

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

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

**E. Cash and Investments**

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

During fiscal year 2008, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2008 was \$31,482, which included \$12,557 assigned from other School District funds.

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**F. Interfund Receivables/Payables**

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

**G. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unspent receipts restricted for bus purchases.

**H. Inventory and Prepaid Items**

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

**I. Capital Assets**

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

**J. Accumulated Leave**

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

**K. Long-Term Obligations**

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

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

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include amounts for federal and State grants whose use is restricted to specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves**

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

**NOTE 3 - COMPLIANCE**

Ohio Administrative Code, Section 117.38, requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Contrary to Ohio Revised Code Section 5705.10(H), the School District had negative fund balances during the audit period.

Contrary to Ohio Revised Code Section 149.351, the School District did not maintain proper supporting documentation for student activities.

Contrary to Ohio Revised Code Section 135.18, the School District's deposits were not adequately collateralized during the audit period.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

<u>Net Change in Fund Balance</u>	
	<u>General</u>
Modified Cash Basis	\$424,369
Unrecorded Cash Fiscal Year 2007	368
Adjustment for Encumbrances	<u>(131,872)</u>
Budget Basis	<u><u>\$292,865</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

Interim monies held by the School District can be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Investments**

As of June 30, 2008 the School District only had investments in STAROhio.

	Fair Value	Maturity
STAROhio	\$2,208	Average 53.8 Days

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

*Interest Rate Risk:*

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

*Credit Risk*

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in calendar year 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

The School District receives property taxes from Darke and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$100,711,070	89.64%	\$101,708,900	90.95%
Public Utility Personal	7,842,580	6.98%	7,000,550	6.26%
General Business Personal	3,794,246	3.38%	3,116,912	2.79%
Total Assessed Value	<u>\$112,347,896</u>	<u>100.00%</u>	<u>\$111,826,362</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$35.18		\$32.98	

**NOTE 7 - INCOME TAX**

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 8 - INTERFUND ADVANCES**

At June 30, 2008, the General Fund had an unpaid interfund cash advance, in the amount of \$14,732, for a short-term loan made to Other Governmental Funds. This is expected to be received within one year. The General Fund also received repayments from Other Governmental Funds of \$16,730, for short-term loans made during fiscal year 2007 and \$24,273 for short-term loans made during fiscal year 2008.

The General Fund had transfers out to the Other Governmental Funds of \$42,491. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Selective Insurance Company of South Carolina for property insurance and Auto Owners Mutual Insurance Company for fleet insurance.

During fiscal year 2008, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 14). The School District contracts their liability insurance through the OSP.

Insurance coverage provided includes the following:

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant changes in coverage from fiscal year 2007.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**B. Workers' Compensation**

For fiscal year 2008, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

**C. Employee Medical Benefits**

For fiscal year 2008, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (See Note 14). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all the Council liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were 105,152, \$121,326, and \$113,382, respectively; the full amount has been contributed for all three fiscal years.

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

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$562,468, \$567,774, and \$538,779, respectively; the full amount has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2008 were \$3,515 made by the School District and \$6,605 made by the plan members.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$65,273, \$63,116, and \$62,404, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare part B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$7,576, \$8,250, and \$9,487 respectively; 100 percent has been contributed for all three fiscal years.

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

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$43,267, \$43,675, and \$41,445 respectively; 100 percent has been contributed for all three fiscal years.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Life Insurance**

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

**B. Dental Care**

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

**C. Vision Care**

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

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Amount Outstanding 6/30/07	Additions	Deductions	Amount Outstanding 6/30/08	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Mechanical Pump Room Note 2006 3.85%	\$278,520	\$0	\$42,274	\$236,246	\$43,901
General Obligation School Improvement Bonds 1997 5.73%	1,040,000	0	140,000	900,000	150,000
General Obligation School Improvement Refunding Bonds 2007 3.75 - 5.875%	1,600,000		40,000	1,560,000	10,000
Total Governmental Activities Long-Term Liabilities	<u>\$2,918,520</u>	<u>\$0</u>	<u>\$222,274</u>	<u>\$2,696,246</u>	<u>\$203,901</u>

*Notes Payable*

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



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

*School Improvement Bonds*

On December 1, 1996, the School District issued \$3,509,440 in voted general obligation bonds for the purpose of the construction of a new school building in the School District. The bonds were issued for a twenty-two year period with final maturity at December 1, 2018. The debt will be retired from the Bond Retirement Debt Service Fund. During fiscal year 2007, \$1,600,000 of the bonds were refunded, leaving \$1,040,000 of the original issue with a new final maturity during fiscal year 2013.

*School Improvement Refunding Bonds*

During fiscal year 2007, the School District refunded \$1,600,000 of the School Improvement Bonds. The refunding bonds were issued with variable interest rates between 3.750 and 5.875 percent with final maturity during fiscal year 2019. The debt will be retired from the Bond Retirement Debt Service Fund.

The School District's overall legal debt margin was \$7,697,302 with an unvoted debt margin of \$107,992 at June 30, 2008.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Mechanical Pump Room Note Principal	Mechanical Pump Room Note Interest	School Improvement Bonds Principal	School Improvement Bonds Interest
2009	\$43,901	\$9,095	\$160,000	\$125,231
2010	45,591	7,405	180,000	114,616
2011	47,347	5,650	190,000	103,041
2012	49,169	3,827	200,000	90,826
2013	50,238	1,934	225,000	77,557
2014-2018	0	0	1,200,000	235,661
2019	0	0	305,000	8,959
Total	<u>\$236,246</u>	<u>\$27,911</u>	<u>\$2,460,000</u>	<u>\$755,891</u>

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**A. Jointly Governed Organizations**

*Southwest Ohio Computer Association:*

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$23,949 for membership and services during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

*Southwestern Ohio Educational Purchasing Council:*

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

Payments to SOEPC are made from the General Fund. During fiscal year 2008, the School District paid \$765 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

*Southwestern Ohio Instructional Technology Association:*

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2008, the School District paid \$920 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**B. Insurance Purchasing Pools**

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

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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

*Ohio School Plan*

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

**C. Shared Risk Pool**

*Preble County Schools Regional Council of Governments:*

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

**NOTE 15 - SET-ASIDE CALCULATIONS**

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 15 - SET-ASIDE CALCULATIONS** (continued)

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

	Textbooks and Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of		
June 30, 2007	(\$276,628)	\$0
Current Fiscal Year Set-aside Requirement	177,343	177,343
Qualifying Disbursements	(202,114)	(269,030)
Current Fiscal Year Offsets	0	(44,595)
Totals	(\$301,399)	(\$136,282)
Set-aside Balance Carried Forward to		
Future Fiscal Years	(\$301,399)	\$0
Set-aside Reserve Balance as of		
June 30, 2008	\$0	\$0

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

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 16 – CONTINGENCIES** (continued)

**B. Litigation**

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

**NOTE 17 – SIGNIFICANT CONTRACTUAL COMMITMENT**

As of June 30, 2008, the School District had a contractual purchase commitment with Miami Valley International Trucks for the purchase of a bus in the amount of \$77,695.

**NOTE 18 – SUBSEQUENT EVENT**

On December 18, 2008, the School District entered into a lease-purchase agreement with the Columbus Regional Airport Authority for \$567,000. The debt proceeds will be used to finance the acquisition, construction and installation of energy conservation improvements within various School District buildings.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	2008	10.550		\$ 35,980		\$ 35,980
Nutrition Cluster:						
National School Breakfast Program	2008	10.553	\$ 36,085		\$ 36,085	
National School Lunch Program	2008	10.555	<u>128,863</u>		<u>128,863</u>	
Total Nutrition Cluster			<u>164,948</u>		<u>164,948</u>	
Total U.S. Department of Agriculture			164,948	35,980	164,948	35,980
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	2008 2007	84.010	182,378		199,024 <u>25,991</u>	
Total Grants to Local Educational Agencies (ESEA Title I)			<u>182,378</u>		<u>225,015</u>	
Special Education Cluster:						
Special Education: Grants to States (IDEA Part B)	2008 2007 2006 2005	84.027	254,979 11,583		257,588 13,865 102 <u>20</u>	
Total Special Education: Grants to States (IDEA Part B)			<u>266,562</u>		<u>271,575</u>	
Special Education: Preschool Grant	2008 2007	84.173	580		283 <u>538</u>	
Total Special Education: Preschool Grant			<u>580</u>		<u>821</u>	
Total Special Education Cluster			267,142		272,396	
Safe and Drug Free Schools and Communities	2008	84.186	4,504		4,504	
Innovative Education Program Strategy	2008	84.298	1,502		1,502	
Title II-D: Technology Literacy Challenge Grant	2008 2007 2006	84.318	3,653		3,653 181 <u>8</u>	
Total Title II-D: Technology Literacy Challenge Grant			<u>3,653</u>		<u>3,842</u>	
Title II-A: Improving Teacher Quality	2008 2007	84.367	42,001		43,803 <u>5,037</u>	
Total II-A: Improving Teacher Quality			<u>42,001</u>		<u>48,840</u>	
<i>Total Passed Through Ohio Department of Education</i>			<u>501,180</u>		<u>556,099</u>	
Total U.S. Department of Education			<u>501,180</u>		<u>556,099</u>	
<b>Total</b>			<b><u>\$ 666,128</u></b>	<b><u>\$ 35,980</u></b>	<b><u>\$ 721,047</u></b>	<b><u>\$ 35,980</u></b>

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

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





# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the National Trail Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 20, 2009, wherein, we noted the School District uses a comprehensive accounting basis 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

We consider findings 2008-001, 2008-002, 2008-005 and 2008-006 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2008-006 is also a material weakness.

We also noted certain internal control matters that we reported to the School District's management in a separate letter dated March 20, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-002, 2008-003, 2008-004 and 2008-006.

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated March 20, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

March 20, 2009



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of National Trail Local School District, Preble County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, National Trail Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

In a separate letter to the School District's management dated March 20, 2009, we reported another matter related to federal noncompliance requiring inclusion in this report.

#### Internal Control Over Compliance

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

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

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

However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated March 20, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

March 20, 2009

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

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

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

**FINDING NUMBER 2008-001**

**Significant Deficiency**

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

Although the School District accurately reconciled the general account during and for the year ended June 30, 2008, the School District did not perform bank reconciliations for the payroll account during the audit period. As a result, the payroll account did not reconcile to the bank by \$(11,016).

The School District also did not complete a reconciliation of food service cash collected (deposited amounts) to the amounts on the cash register tapes. Furthermore, the School District did not provide explanation for several of the variances. For the two buildings testing, one building deposited \$37 more than the cash register tapes and the other building deposited \$113 less than the cash register tapes. Of these variances, only \$5 was a known variance.

Reconciliations are an effective tool to help management determine that the School District completely records all transactions. We recommend the School District properly reconcile all accounts on a monthly basis. The School District should immediately investigate and adjust (if justified) any variances.

Additionally, we recommend the School District implement procedures to ensure that all daily cash register tapes reconcile to the deposited food service receipts. While overages and shortages do occur sometimes, food service personnel should note reasons for these differences on the cash register tapes. Appropriate personnel should note corrections and/or adjustments to the cash register tapes on the tape or a daily adjustment sheet. Appropriate personnel should reconcile the tapes and/or adjustment sheets to the CN-6 and CN-7 reports and daily deposits. Supervisory personnel should review the reconciliation for accuracy and completeness. Supervisory personnel should evidence their review by initialing, dating, etc.

The School District should review and implement procedures described in Auditor of State Best Practices, Volume 4, Issue 2, dated Fall 2007 for best practices in cash handling. This is available at the following link: [http://www.auditor.state.oh.us/Publications/BestPractices/BestPractices\\_Vol4Issue2\\_Fall2007.pdf](http://www.auditor.state.oh.us/Publications/BestPractices/BestPractices_Vol4Issue2_Fall2007.pdf).

**Officials' Response:**

The School District did not provide a response to this finding.

## FINDING NUMBER 2008-002

### Noncompliance and Significant Deficiency

**Ohio Rev. Code, Section 149.351(A)**, provides, in part, that no public records shall be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or part, except as provided by law or under the rules adopted by the records commission provided under Ohio Rev. Code Sections 149.38 to 149.42.

**Board policy EHA** states “all records are the property of the School District and are not to be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or part, except as provided by law or under rules adopted by the School District Records Commission. Such records shall be delivered by outgoing officials and employees to their successors and shall not be removed, transferred or destroyed unlawfully.

As noted below the activity advisors did not retain student order forms for the cookie dough, candle or pizza student activity sales projects. This makes it difficult for the School District to determine if the activities are bringing in anticipated receipts and if the amounts recorded on the accounting records posted to the proper activity.

#### **8<sup>th</sup> Grade Washington Trip:**

**Cookie Dough Sale** – The activity advisor did not issue duplicate receipts to students for monies collected. The activity advisor did not retain student order forms. A receipt for \$466 should not have been posted to Fund 300-9489 (8<sup>th</sup> Grade Washington Trip Fund). This receipt was for another Fund 300 fund raiser. The activity advisor stated there was only one cookie dough sale during fiscal year 2008. The School District deposited \$768 of sales receipts.

**Candle Sale** - The activity advisor did not issue duplicate receipts to students for monies collected. The activity advisor did not retain student order forms. Receipts for the candle sale and a cookbook sale were commingled on the same pay-in receipt (total of \$177). The activity advisor did not maintain detail information which supported the pay-in. The School District deposited \$831 of candle sales receipts.

**Pizza Sale** - The activity advisor did not issue duplicate receipts to students for monies collected. The activity advisor did not retain student order forms. The School District deposited \$6,013 of sales receipts.

**Pine River Fund Raiser** - The activity advisor did not issue duplicate receipts to students for monies collected. Student order forms indicated receipts of \$2,885; however, the School District actually deposited only \$2,820 in fund raiser receipts (a difference of \$65).

#### **Band Poinsettia Sale:**

Duplicate receipts issued to students indicated \$4,992 of sales receipts. The “total due” spreadsheet created by the activity advisor indicated \$4,886 of sales receipts. The School District actually deposited \$4,951 of sales receipts.

**FINDING NUMBER 2008-002**  
**(Continued)**

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

The activity advisor did not issue duplicate receipts to students for monies collected. Student order summary spreadsheets indicated \$35,953 of sales receipts. The School District actually deposited \$36,169 of sales receipts.

To improve internal controls over the School District's student activities we recommend the following:

- Prior to any financial transactions by an authorized student activity, a purpose clause should be submitted to and approved by the Board of Education. This will help insure compliance with **Board Policy IGDF(8)** limiting the number of fundraising activities so as not to become a burden or nuisance to the community;
- Appropriate School District personnel should complete sales project potential forms for all fundraisers, be it student activities or athletic clubs, indicating a proposed budget. The activity advisor, building principal, Treasurer/designee, and Superintendent should sign all sales project potential forms. Once the fundraiser is completed, the bottom of the form should be completed indicating actual results from the fundraiser and signed as by the same personnel. This will enhance the School District's compliance with **Board Policy IGDF(8)**;
- Faculty and/or student advisors should issue pre-numbered duplicate receipts for all monies collected. For each receipt recorded by the School District Treasurer's office the relevant advisor should be able to provide documentation for the entire receipt amount. This increases accountability over the receipting process;
- Both the ticket taker and a sponsor or the athletic director should review and sign all athletic ticket accountability sheets.
- Faculty and/or student advisors should retain and review all order forms for accuracy.

In addition to the lack of controls in place over the retention of records, the following weaknesses in the design and operation of student activity receipts were noted during our testing:

- Of 40 athletic event ticket tally sheets tested, the ticket taker did not sign four sheets and the athletic director or sponsor did not sign four sheets.
- Of 35 student activities that required activity budget forms, the School District only provided two forms. Neither the Superintendent nor Treasurer signed these two forms.
- Student activity advisors properly completed only six of 32 sales project potential forms. The 4<sup>th</sup> Grade Put-in-Bay trip did not provide a form.

We recommend that the School District review their current policy. Additional controls and procedures are explained in the Auditor of State (AOS) "Guidelines for Developing Policies for Student Activity Programs available at the AOS website:

[http://www.auditor.state.oh.us/LGS/Publications/LocalGovernmentManualsHandbooks/guidelines\\_student\\_programs.pdf](http://www.auditor.state.oh.us/LGS/Publications/LocalGovernmentManualsHandbooks/guidelines_student_programs.pdf).

**Officials' Response:**

The School District did not provide a response to this finding.



**FINDING NUMBER 2008-003**

**Noncompliance**

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

The following funds had negative fund balances throughout the year:

<b>Dates</b>	<b>Fund</b>	<b>Date of Highest Negative Fund Balance</b>	<b>Highest Negative Fund Balance</b>
August 22, 2007 through May 9, 2008	Uniform School Supplies (Fund 009)	October 31, 2007	\$12,651
Various dates from July 2007 through June 2008	Title VI-B (Fund 516)	December 31, 2007	57,252
Various dates from July 2007 through June 2008	Title I (Fund 572)	November 30, 2007	42,992
Various dates from August 2007 through June 2008	Class Size Reduction (Fund 590)	December 14, 2007	14,130

We recommend the School District monitor fund balances and take corrective action such as advancing funds, if possible. The School District should follow the procedures in Auditor of State Bulletin 97-003 for the advancing of funds.

**Officials' Response:**

The School District did not provide a response to this finding.

**FINDING NUMBER 2008-004**

**Noncompliance**

**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 117-2-03 further clarifies the requirements of Ohio Revised Code 117.38

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

**Officials' Response:**

The School District did not provide a response to this finding.

**FINDING NUMBER 2008-005**

**Significant Deficiency**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The School District lacks management oversight in monitoring estimated resources. The School District failed to maintain County certified copies of certificates of estimated resources for the audit period (except for the July 2007 certificate). The Treasurer prepared certificates but they were not filed with the County Auditor nor were they approved by the Board of Education. Therefore, we could only verify that the School District properly posted the estimated resources per the July 2007 certificate to the accounting system. As such, the School District reported final estimated resources of \$9,470,462 for the General Fund in the accompanying financial statements. Estimated resources for the General Fund per the July 2007 certificate should be \$9,134,226, a variance of \$336,236. This variance was not material; the accompanying financial statements were not adjusted.

Failure to properly report estimated resources could result in inaccurate financial statements. We recommend that the School District maintain all certificates of estimated resources. The School District should implement procedures to verify that the correct amount of estimated resources have been reported in the financial statements.

**Officials' Response:**

The School District did not provide a response to this finding.

**FINDING NUMBER 2008-006**

**Noncompliance/Material Weakness**

**Ohio Rev. Code, Section 135.18(A)**, states, that the treasurer before making the initial deposit in a public depository pursuant to an award made under sections 135.01 to 135.21 of the Revised Code, except as provided in section 135.144 of the Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

Due to improper monitoring of depository collateral, the School District did not adequately collateralize their deposits at Eaton National Bank at various times during the audit period. Deposits exceeded legal security as follows: by \$101,854 at August 31, 2007; by \$67,564 at October 31, 2007; by \$811,527 at November 30, 2007; by \$40,979 at April 30, 2008; and by \$210,018 at June 30, 2008.

**FINDING NUMBER 2008-006**

Failure to adequately collateralize deposits could result in loss of public funds in the event of a bank failure. We recommend that the School District implement procedures to verify that depository balances are adequately secured by eligible collateral at all times. The School District obtained \$500,000 of additional collateral from Eaton National Bank on September 2, 2008.

**Officials' Response:**

The School District did not provide a response to this finding.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None.

**This page intentionally left blank.**

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Failure to properly reconcile the payroll account and food service operations	No	Not corrected - Re-issued as Finding 2008-001
2007-002	Ohio Rev. Code Section 149.351(A), failure to maintain proper supporting documentation	No	Not corrected – Re-issued as Finding 2008-002
2007-003	Ohio Rev. Code Section 5705.10(H), negative fund balances	No	Not corrected – Re-issued as Finding 2008-003
2007-004	Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles	No	Not corrected – Re-issued as Finding 2008-004





**Mary Taylor, CPA**  
Auditor of State

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT**

**PREBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 7, 2009**