



Dave Yost • Auditor of State

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
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 Assets and Liabilities – 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.....	45
Notes to the Federal Awards Receipts and Expenditures Schedule	46
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	47
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.	49
Schedule of Findings.....	51
Schedule of Prior Audit Findings.....	55
Independent Accounts' Report on Applying Agreed Upon Procedures.....	57

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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 District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 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, 2011, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The federal awards receipts and expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

February 8, 2012

National Trail Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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, 2011, 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 2011 are as follows:

- Net assets for fiscal year 2011 increased by \$179,709, or seven percent, to a total net assets amount of \$2,794,314.
- While property tax revenue remained constant, income tax revenue increased by \$93,895, or six percent over fiscal year 2010.
- During fiscal year 2011, the School District received both fiscal stabilization monies and ARRA grants that helped to stabilize the budget.

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.

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.

National Trail Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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 2011, within the limitations of the cash basis of 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, 2011
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, the Bond Retirement Debt Service Fund and the Roof Repair Capital Projects 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.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2011 compared to fiscal year 2010 on a cash basis:

Table 1 Net Assets			
	2011	Restated 2010	Change
Assets			
Current Assets	\$2,794,314	\$2,614,605	\$179,709
Net Assets			
Restricted	930,942	998,843	(67,901)
Unrestricted	1,863,372	1,615,762	247,610
<i>Total Net Assets</i>	\$2,794,314	\$2,614,605	\$179,709

National Trail Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Current assets consisting of cash and cash equivalents increased \$179,709. The majority of this increase is a direct result of the additional three-fourths percent income tax the School District began collecting in fiscal year 2006. Since the School District began collecting these additional monies, cash has increased every year, although compared to fiscal year 2010, the increase was significantly lower.

Unrestricted net assets increased for the fifth year in a row, a direct result of the additional three-fourths percent income tax the School District began collecting during fiscal year 2006. Prior to the passage of the additional income tax, unrestricted net assets had decreased to \$155,289, increasing to a present amount of \$1,863,372. While unrestricted net assets increased for fiscal year 2011, it should be pointed out that the increase of \$247,610 was significantly lower than the increase of \$453,654 from the prior fiscal year due to the increase of disbursements as discussed on page 6.

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2011 and 2010.

Table 2
Changes in Net Assets

	2011	Restated 2010	Change
Receipts			
Program Receipts:			
Charges for Services	\$554,061	\$568,362	(\$14,301)
Operating Grants, Interest and Contributions	1,321,977	1,485,162	(163,185)
Capital Grants, Interest and Contributions	0	202	(202)
<i>Total Program Receipts</i>	<u>1,876,038</u>	<u>2,053,726</u>	<u>(177,688)</u>
General Receipts:			
Property Taxes	2,474,887	2,495,663	(20,776)
Income Tax	1,793,097	1,699,202	93,895
Grants and Entitlements not Restricted to			
Specific Programs	5,067,010	5,008,885	58,125
Investment Earnings	14,062	20,631	(6,569)
Gifts and Donations	2,829	5,604	(2,775)
Miscellaneous	60,305	64,929	(4,624)
<i>Total General Receipts</i>	<u>9,412,190</u>	<u>9,294,914</u>	<u>117,276</u>
<i>Total Receipts</i>	<u>\$11,288,228</u>	<u>\$11,348,640</u>	<u>(\$60,412)</u>

National Trail Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2
Changes in Net Assets
(continued)

	2011	Restated 2010	Change
Program Disbursements			
Instruction:			
Regular	\$4,309,993	\$4,214,071	\$95,922
Special	1,356,341	1,372,427	(16,086)
Vocational	187,980	177,088	10,892
Adult Continuing	19,823	30,171	(10,348)
Support Services:			
Pupils	669,456	618,275	51,181
Instructional Staff	515,077	566,575	(51,498)
Board of Education	37,106	42,180	(5,074)
Administration	768,561	752,615	15,946
Fiscal	263,790	258,745	5,045
Operation and Maintenance of Plant	1,036,344	1,069,893	(33,549)
Pupil Transportation	645,433	662,823	(17,390)
Central	121,924	126,185	(4,261)
Operation of Non-Instructional Services	442,487	428,215	14,272
Extracurricular Activities	319,379	306,456	12,923
Principal Retirement	287,347	271,591	15,756
Interest and Fiscal Charges	127,478	142,258	(14,780)
<i>Total Disbursements</i>	<u>11,108,519</u>	<u>11,039,568</u>	<u>68,951</u>
<i>Increase in Net Assets</i>	179,709	309,072	(129,363)
 <i>Change in Net Assets</i>	 179,709	 309,072	 <u><u>(\$129,363)</u></u>
<i>Net Assets at Beginning of Year</i>	<u>2,614,605</u>	<u>2,305,533</u>	
<i>Net Assets at End of Year</i>	<u>\$2,794,314</u>	<u>\$2,614,605</u>	

Governmental Activities

In total, receipts have stayed constant from the previous year with only a small decrease of \$60,412, of which the major cause was a reduction in federal grant money received.

Disbursements remained constant from the previous fiscal year. The School District had a base increase in salaries of one percent in fiscal year 2011 as well as a large increase in health insurance premiums. The increase in disbursements coupled with the decrease in overall receipts led to the increase in net assets being lower than the fiscal year 2010 increase.

National Trail Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The School District's Funds

The School District's major funds are accounted for using the cash basis of accounting and include the General Fund, Bond Retirement Debt Service Fund and the Roof Repair Capital Projects Fund. All governmental funds had total receipts of \$11,288,228 and disbursements of \$11,108,519. The three major funds account for 84 percent and 83 percent of receipts and disbursements, respectively.

The General Fund had an increase in fund balance of \$249,840. Overall, receipts increased less than one percent from fiscal year 2010 due to increases in income tax collections. Disbursements increased three percent over fiscal year 2010 mainly due to a one percent wage increase and a 17 percent increase in health insurance.

The Bond Retirement Debt Service Fund had a decrease in fund balance of \$7,189 as debt service payments outpaced receipts. Despite the slight decrease, fund balance stands at \$413,524 as of June 30, 2011.

The Roof Repair Capital Projects Fund was created to account for the insurance settlement received as a result of a lawsuit brought on by the School District. This project is still in the planning stages.

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.

During the course of fiscal year 2011, 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 13, 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 \$9,176,664, a \$11,416 decrease from the original budgeted receipts. Final budget basis disbursements decreased \$81,444 or less than one percent from the original appropriations. Due to the constant monitoring of budgets, very little adjustments were necessary to the final budget amounts.

Debt Administration

Table 3 summarizes the debt outstanding:

National Trail Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 3
Outstanding Debt, at Fiscal Year-end
Governmental Activities

	2011	2010
Mechanical Pump Room Note	\$99,407	\$146,754
School Improvement Bonds	400,000	580,000
School Improvement Refunding Bonds	1,530,000	1,540,000
Capital Lease	471,000	521,000
	<u>\$2,500,407</u>	<u>\$2,787,754</u>

For more information on Debt, see Notes 13 and 14 of the Basic Financial Statements.

Current Financial Issues and Concerns

While the School District has remained financially stable over the past few fiscal years, the yearly increase in the General Fund balance was a much lesser amount in fiscal year 2011 than in prior fiscal years, and is forecasted to continue to decrease in future fiscal years. This is the result in little or no increases in receipts, as well as cuts in State Foundation, accompanied by large increases in health insurance and other disbursements.

House Bill 153, the State of Ohio's budget bill, cut State Foundation revenue to the School District by approximately \$150,000 for fiscal year 2012. The School District will use the Education Jobs Grant money to offset this cut for fiscal year 2012, but after that, there will not be any funds available to supplement this cut. By fiscal year 2013, the School District is forecasting that disbursements will outpace receipts and to begin cutting into the General Fund balance that has been built up.

House Bill 153 has also made it possible for the School District to qualify for an Ohio School Facilities Commission project. The School District will be able to segment a project and obtain State funding to repair the room on the K-8 building, using the funds in the Roof Repair Capital Projects Fund (from the lawsuit) as the local share of the project.

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 Kerry M. Borger, Treasurer, 6940 Oxford-Gettysburg Road, New Paris, Ohio 45347, or email at kborger@nationaltrail.us.

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National Trail Local School District
Statement of Net Assets - Cash Basis
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,794,314</u>
Net Assets	
Restricted for:	
Debt Service	413,524
Capital Outlay	285,000
Food Service	122,873
Student Managed Activities	66,908
Other Purposes	42,637
Unrestricted	<u>1,863,372</u>
<i>Total Net Assets</i>	<u><u>\$2,794,314</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, 2011

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants, Interest and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$4,309,993	\$154,919	\$38,899	(\$4,116,175)
Special	1,356,341	0	750,956	(605,385)
Vocational	187,980	0	17,155	(170,825)
Adult Continuing	19,823	0	0	(19,823)
Support Services:				
Pupils	669,456	0	152,925	(516,531)
Instructional Staff	515,077	0	101,518	(413,559)
Board of Education	37,106	0	0	(37,106)
Administration	768,561	0	0	(768,561)
Fiscal	263,790	0	0	(263,790)
Operation and Maintenance of Plant	1,036,344	0	9,242	(1,027,102)
Pupil Transportation	645,433	0	0	(645,433)
Central	121,924	0	0	(121,924)
Operation of Non-Instructional Services	442,487	207,986	246,665	12,164
Extracurricular Activities	319,379	191,156	4,617	(123,606)
Principal Retirement	287,347	0	0	(287,347)
Interest and Fiscal Charges	127,478	0	0	(127,478)
<i>Total Governmental Activities</i>	<u>\$11,108,519</u>	<u>\$554,061</u>	<u>\$1,321,977</u>	<u>(9,232,481)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				2,177,084
Debt Service				253,511
Other Purposes				44,292
Income Tax				1,793,097
Grants and Entitlements not Restricted to Specific Programs				5,067,010
Investment Earnings				14,062
Gifts and Donations				2,829
Miscellaneous				60,305
<i>Total General Receipts</i>				9,412,190
<i>Change in Net Assets</i>				179,709
<i>Net Assets at Beginning of Year - Restated (See Note 19)</i>				<u>2,614,605</u>
<i>Net Assets at End of Year</i>				<u>\$2,794,314</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, 2011

	General	Bond Retirement	Roof Repair	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$1,867,180</u>	<u>\$413,524</u>	<u>\$285,000</u>	<u>\$228,610</u>	<u>\$2,794,314</u>
Fund Balances					
Restricted	\$0	\$413,524	\$285,000	\$232,418	\$930,942
Assigned	219,163	0	0	0	219,163
Committed	30,000	0	0	0	30,000
Unassigned (Deficit)	<u>1,618,017</u>	<u>0</u>	<u>0</u>	<u>(3,808)</u>	<u>1,614,209</u>
<i>Total Fund Balances</i>	<u>\$1,867,180</u>	<u>\$413,524</u>	<u>\$285,000</u>	<u>\$228,610</u>	<u>\$2,794,314</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, 2011

	General	Bond Retirement	Roof Repair	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$2,177,084	\$253,511	\$0	\$44,292	\$2,474,887
Income Tax	1,793,097	0	0	0	1,793,097
Intergovernmental	4,984,878	39,839	0	1,359,590	6,384,307
Investment Earnings	14,062	0	0	63	14,125
Tuition and Fees	123,578	0	0	0	123,578
Rent	7,678	0	0	0	7,678
Extracurricular Activities	23,663	0	0	191,156	214,819
Gifts and Donations	2,829	0	0	4,617	7,446
Charges for Services	0	0	0	207,986	207,986
Miscellaneous	56,648	0	0	3,657	60,305
<i>Total Receipts</i>	<u>9,183,517</u>	<u>293,350</u>	<u>0</u>	<u>1,811,361</u>	<u>11,288,228</u>
Disbursements					
Current:					
Instruction:					
Regular	3,952,303	0	0	357,690	4,309,993
Special	930,024	0	0	426,317	1,356,341
Vocational	187,980	0	0	0	187,980
Adult Continuing	19,823	0	0	0	19,823
Support Services:					
Pupils	516,788	0	0	152,668	669,456
Instructional Staff	372,331	0	0	142,746	515,077
Board of Education	23,095	0	0	14,011	37,106
Administration	759,754	7,498	0	1,309	768,561
Fiscal	263,790	0	0	0	263,790
Operation and Maintenance of Plant	905,017	0	0	131,327	1,036,344
Pupil Transportation	636,773	0	0	8,660	645,433
Central	121,924	0	0	0	121,924
Operation of Non-Instructional Services	0	0	0	442,487	442,487
Extracurricular Activities	119,861	0	0	199,518	319,379
Debt Service:					
Principal Retirement	97,347	190,000	0	0	287,347
Interest and Fiscal Charges	24,437	103,041	0	0	127,478
<i>Total Disbursements</i>	<u>8,931,247</u>	<u>300,539</u>	<u>0</u>	<u>1,876,733</u>	<u>11,108,519</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>252,270</u>	<u>(7,189)</u>	<u>0</u>	<u>(65,372)</u>	<u>179,709</u>
Other Financing Sources (Uses)					
Advances In	2,000	0	0	4,430	6,430
Advances Out	(4,430)	0	0	(2,000)	(6,430)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,430)</u>	<u>0</u>	<u>0</u>	<u>2,430</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	249,840	(7,189)	0	(62,942)	179,709
<i>Fund Balances at Beginning of Year - Restated (Note 19)</i>	<u>1,617,340</u>	<u>420,713</u>	<u>285,000</u>	<u>291,552</u>	<u>2,614,605</u>
<i>Fund Balances at End of Year</i>	<u>\$1,867,180</u>	<u>\$413,524</u>	<u>\$285,000</u>	<u>\$228,610</u>	<u>\$2,794,314</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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$2,185,000	\$2,177,084	\$2,177,084	\$0
Income Tax	1,700,000	1,793,097	1,793,097	0
Intergovernmental	5,039,678	4,984,878	4,984,878	0
Investment Earnings	22,000	13,154	14,062	908
Tuition and Fees	129,500	123,578	123,578	0
Rent	8,800	7,678	7,678	0
Extracurricular Activities	32,650	23,663	23,663	0
Gifts and Donations	2,100	2,829	2,829	0
Miscellaneous	45,520	50,703	50,703	0
<i>Total Receipts</i>	<u>9,165,248</u>	<u>9,176,664</u>	<u>9,177,572</u>	<u>908</u>
Disbursements				
Current:				
Instruction:				
Regular	4,106,520	3,961,793	3,961,648	145
Special	999,440	931,284	931,284	0
Vocational	184,143	188,517	188,516	1
Adult Continuing	18,500	19,823	19,823	0
Support Services:				
Pupils	445,746	525,157	525,158	(1)
Instructional Staff	325,472	400,142	400,142	0
Board of Education	22,487	24,595	24,595	0
Administration	749,757	763,236	763,237	(1)
Fiscal	257,556	265,808	265,808	0
Operation and Maintenance of Plant	1,061,995	1,044,162	1,043,412	750
Pupil Transportation	676,431	659,333	659,333	0
Central	125,661	125,811	125,811	0
Operation of Non-Instructional Services	500	0	0	0
Extracurricular Activities	137,090	119,861	119,861	0
Debt Service:				
Principal Retirement	97,347	97,347	97,347	0
Interest and Fiscal Charges	24,105	24,437	24,437	0
<i>Total Disbursements</i>	<u>9,232,750</u>	<u>9,151,306</u>	<u>9,150,412</u>	<u>894</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(67,502)</u>	<u>25,358</u>	<u>27,160</u>	<u>1,802</u>
Other Financing Sources (Uses)				
Advances In	100,000	2,000	2,000	0
Advances Out	(40,000)	(4,430)	(4,430)	0
Refund of Prior Year Disbursements	7,000	5,945	5,945	0
<i>Total Other Financing Sources (Uses)</i>	<u>67,000</u>	<u>3,515</u>	<u>3,515</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(502)	28,873	30,675	1,802
<i>Fund Balance at Beginning of Year (Restated)</i>	1,409,051	1,409,051	1,409,051	0
<i>Prior Year Encumbrances Appropriated</i>	<u>208,289</u>	<u>208,289</u>	<u>208,289</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,616,838</u>	<u>\$1,646,213</u>	<u>\$1,648,015</u>	<u>\$1,802</u>

See Accompanying Notes to the Basic Financial Statements

National Trail Local School District
Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Funds
June 30, 2011

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$664</u>	<u>\$73,434</u>
Net Assets		
Held in Trust for Scholarships	\$664	\$0
Held on Behalf of Students	<u>0</u>	<u>73,434</u>
Total Net Assets:	<u><u>\$664</u></u>	<u><u>\$73,434</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, 2011

	Private Purpose Trust
Additions	
Gifts and Donations	\$4,092
Miscellaneous	64
<i>Total Additions</i>	4,156
Deductions	
Miscellaneous	4,626
<i>Changes in Net Assets</i>	(470)
<i>Net Assets at Beginning of Year (Restated)</i>	1,134
<i>Net Assets at End of Year</i>	\$664

See Accompanying Notes to the Basic Financial Statements

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National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 four jointly governed organizations, two insurance purchasing pools, and one shared risk pool. These organizations include the Southwest Ohio Computer Association, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Instructional Technology Association, Preble County Professional Development Consortium, the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan, the Ohio School Plan, and the Preble County Schools Regional Council of Governments, respectively. These organizations are presented in Note 15 to the basic financial statements.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the Basis of Accounting section 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.

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 considered business-type activities. 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. 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 obligation bonded debt.

Roof Repair Fund – The Roof Repair Capital Projects Fund is used to account for the insurance settlement received that will be used to repair the roof of the school building.

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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 include Private Purpose Trust Funds and Agency Funds. The School District's Private Purpose Trust Funds account for teachers and other faculty members sending flowers to the sick and/or bereaved, and for other special occasions and college scholarship programs for students. The School District's Agency Funds account for those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

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.

Budgetary Process

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

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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 2011, 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, 2011.

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 2011 was \$14,062, which included \$4,585 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.

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.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Fund Balance

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash

Restricted

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

Committed

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

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned

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

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

Compensated Absences

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

Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

Long-Term Obligations

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 disbursements are made.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 3 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Roof Repair	Other Governmental Funds	Total
<i>Restricted for</i>					
Debt Service Payments	\$0	\$413,524	\$0	\$0	\$413,524
Food Service	0	0	0	122,873	122,873
Student Managed Activities	0	0	0	66,908	66,908
Classroom Facilities Maintenance	0	0	0	18,424	18,424
SchoolNet Professional Development	0	0	0	123	123
Miscellaneous State & Federal Grants	0	0	0	10,874	10,874
Title VI B	0	0	0	10,203	10,203
Nutrition Education/Training	0	0	0	1,819	1,819
Title VI	0	0	0	786	786
Title II Technology	0	0	0	408	408
Capital Improvements	0	0	285,000	0	285,000
<i>Total Restricted</i>	<u>0</u>	<u>413,524</u>	<u>285,000</u>	<u>232,418</u>	<u>930,942</u>
<i>Committed to</i>					
Capital Improvements	30,000	0	0	0	30,000
<i>Assigned to</i>					
Other Purposes	219,163	0	0	0	219,163
<i>Unassigned (Deficit)</i>					
	1,618,017	0	0	(3,808)	1,614,209
<i>Total Fund Balances</i>	<u><u>\$1,867,180</u></u>	<u><u>\$413,524</u></u>	<u><u>\$285,000</u></u>	<u><u>\$228,610</u></u>	<u><u>\$2,794,314</u></u>

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 restricted, committed or assigned fund balance (cash basis).

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

	<u>Net Change in Fund Balance</u>
	<u>General</u>
Cash Basis	\$249,840
Adjustment for Encumbrances	<u>(219,165)</u>
Budget Basis	<u><u>\$30,675</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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;

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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) above;
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, 2011 the School District had investments in STAROhio in the amount of \$927,441. The average maturity of STAROhio is 58 days.

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.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES (continued)

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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2011, are available to finance fiscal year 2011 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 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$113,146,410	94.39%	\$114,064,400	94.12%
Public Utility Personal	6,730,940	5.61%	7,121,330	5.88%
Total Assessed Value	<u>\$119,877,350</u>	<u>100.00%</u>	<u>\$121,185,730</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$32.98		\$32.98	

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 passed and effective January 1, 2006 for an additional five years for general expenses. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds.

NOTE 8 - INTERFUND ACTIVITY

At June 30, 2011, the General Fund had an unpaid interfund cash advance, in the amount of \$4,430, 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 \$2,000, for short-term loans made during fiscal year 2010.

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 2011, 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 2011, the School District, along with other school districts and educational service centers in Ohio, participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district or educational service center 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 15). The School District contracts their liability insurance through the OSP.

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 2010.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 - RISK MANAGEMENT (continued)

B. Workers' Compensation

For fiscal year 2011, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2011, 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 (Note 15). 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 of the Council's 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension and death 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, 2011, 2010, and 2009 were \$172,716, \$156,384, and \$100,131, respectively; 100 percent 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.

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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011, 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. 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, 2011, 2010, and 2009 were \$574,020, \$569,949, and \$551,291, respectively; 100 percent has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2011 were \$6,216 made by the School District and \$4,440 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.

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 2011, 1.43 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 2011, this amount was \$35,800.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

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, 2011, 2010, and 2009 were \$39,213, \$23,929, and \$62,664, 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 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$11,115, \$9,300, and \$7,199, 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 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 2011, 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, 2011, 2010, and 2009 were \$44,155, \$43,842, and \$42,407, respectively; 100 percent has been contributed for all three fiscal years.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Certain employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. All unused vacation, up to a balance not greater than three years accrual, may be carried forward to the succeeding fiscal year. Sick leave may be accumulated up to a maximum of 232 days for classified employees and 280 days for certified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit at their daily rate upon retirement for classified and certified employees.

B. Life Insurance

Life Insurance is provided by the School District to most employees through Lincoln National Life Insurance.

C. Dental Care

Dental Insurance is provided by the School District to most employees through Delta Dental.

D. Vision Care

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

E. Deferred Compensation Plan

School District employees may elect to participate in the Ohio Public Employees Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Amount Outstanding 6/30/10	Additions	Deductions	Amount Outstanding 6/30/11	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Mechanical Pump Room Note 2006 3.85%	\$146,754	\$0	\$47,347	\$99,407	\$49,169
General Obligation School Improvement Bonds 1997 5.73%	580,000	0	180,000	400,000	190,000
General Obligation School Improvement Refunding Bonds 2007 3.75 - 5.875%	1,540,000	0	10,000	1,530,000	10,000
Capital Lease	521,000	0	50,000	471,000	52,000
Total Governmental Activities Long-Term Liabilities	<u>\$2,787,754</u>	<u>\$0</u>	<u>\$287,347</u>	<u>\$2,500,407</u>	<u>\$301,169</u>

Note 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 anticipated savings over the seven years and will be paid from the General Fund.

School Improvement Bonds

On December 1, 1996, the School District issued \$3,509,440 in voted general obligation bonds for the purpose of the construction of a new school building in the School District. The bonds were issued for a 22 year period with final maturity during fiscal year 2019. 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 capital lease will be paid from the General Fund.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

The School District's overall legal debt margin was \$9,385,361 with an unvoted debt margin of \$121,132 at June 30, 2011.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2011, 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
2012	49,169	3,827	200,000	90,826
2013	50,238	1,934	225,000	77,557
2014	0	0	215,000	66,256
2015	0	0	225,000	57,456
2016	0	0	240,000	48,156
2017-2019	0	0	825,000	72,752
Total	<u>\$99,407</u>	<u>\$5,761</u>	<u>\$1,930,000</u>	<u>\$413,003</u>

NOTE 14 – CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into a lease-purchase agreement with the Columbus Regional Airport Authority for the acquisition, construction and installation of energy conservation improvement. Columbus Regional Airport Authority will retain title to the project during the lease term.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011.

Fiscal Year Ending June 30,	Total Payments
2012	\$67,886
2013	67,994
2014	68,031
2015	67,014
2016	67,925
2017-2019	<u>202,425</u>
Total minimum lease payments	541,275
Less: amount representing interest	<u>(70,275)</u>
Present value of minimum lease payments	<u>\$471,000</u>

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS/SHARED RISK POOL

A. Jointly Governed Organizations

Southwest Ohio Computer Association:

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$21,576 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 and educational service centers 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's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to the SOEPC are made from the General Fund. During fiscal year 2011, the School District paid \$729 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 - 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 21 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 2011, the School District paid \$882 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Preble County Professional Development Consortium:

The School District is a participant in the Preble County Professional Development Consortium (PCPDC). PCPDC is an association of public school districts within the boundaries of Preble County. The organization was formed to improve staff development and instructional functions by making optimum use of public funds through cooperation of member public school districts. The governing board of PCPDC consists of one representative from each district plus one representative from the fiscal agent. The School District paid PCPDC \$2,414 for services provided during the fiscal year. Financial information can be obtained from Terri Freeman, Treasurer, Preble County Educational Service Center, 597 Hillcrest Drive, Eaton, Ohio 45320 or email at pbbo_tf@swoca.net.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS/SHARED RISK POOL (continued)

B. Insurance Purchasing Pools

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

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an 11 member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Plan:

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was 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 sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing for the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

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 participant. 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.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 16 - SET-ASIDE CALCULATIONS

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

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

	<u>Textbooks and Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of		
June 30, 2010	(\$186,966)	\$0
Current Fiscal Year Set-aside Requirement	159,111	159,111
Qualifying Disbursements	(143,353)	(267,545)
Current Fiscal Year Offsets	0	(44,292)
Totals	<u>(\$171,208)</u>	<u>(\$152,726)</u>
Set-aside Balance Carried Forward to		
Future Fiscal Years	<u>(\$171,208)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2011	<u>\$0</u>	<u>\$0</u>

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 17 - 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, 2011.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 17 – CONTINGENCIES (continued)

B. Litigation

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

NOTE 18 - COMPLIANCE

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

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET ASSETS

A. Changes in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds of the School District’s financial statements.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET ASSETS (continued)

B. Restatement of Prior Year’s Fund Balance/Net Assets

During fiscal year 2011, it was determined that the C.R. Coblenz Scholarship Fund, Eighth Grade Washington Trip Scholarship Fund, and Renaissance and Honor Flight Funds should be reported as a Private Purpose Trust Fund and Agency Funds, respectively, instead of Special Revenue Funds.

The implementation of GASB Statement No. 54 and the reclassification of four funds had the following effect on fund balances of the major and other funds and net assets as they were previously reported:

	General	Bond Retirement	Roof Repair	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2010	\$1,588,140	\$420,713	\$285,000	\$327,349	\$2,621,202
Change in Fund Structure	29,200	0	0	(35,797)	(6,597)
Adjusted Fund Balance at June 30, 2010	<u>\$1,617,340</u>	<u>\$420,713</u>	<u>\$285,000</u>	<u>\$291,552</u>	<u>\$2,614,605</u>

	Governmental Activities
Net Assets June 30, 2010	\$2,621,202
Change in Fund Structure	(6,597)
Adjusted Net Assets, June 30, 2010	<u>\$2,614,605</u>

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**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution): National School Lunch Program	2011	10.555		\$17,906		\$17,906
Cash Assistance: National School Breakfast Program	2011	10.553	\$50,936		\$50,936	
National School Lunch Program	2011	10.555	<u>173,502</u>		<u>173,502</u>	
Total Child Nutrition Cluster			<u>224,438</u>	<u>17,906</u>	<u>224,438</u>	<u>17,906</u>
Total U.S. Department of Agriculture			<u>224,438</u>	<u>17,906</u>	<u>224,438</u>	<u>17,906</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2011	84.027	220,338		210,797	
	2010	84.027	-		172	
ARRA - Special Education - Grants to States	2011	84.391	122,080		121,954	
	2010	84.391	-		8,930	
Total Special Education Grants to States			<u>342,418</u>		<u>341,853</u>	
Special Education - Preschool Grants	2011	84.173	<u>1,143</u>		<u>1,441</u>	
Total Special Education Cluster			<u>343,561</u>		<u>343,294</u>	
Title I Grants to Local Educational Agencies	2011	84.010	194,574		196,484	
	2010	84.010	-		12,647	
	2010	84.377	6,407		23,863	
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	60,872		64,011	
	2010	84.389	-		4,639	
Total Title I Grants to Local Educational Agencies			<u>261,853</u>		<u>301,644</u>	
Education Technology State Grants	2011	84.318	558		150	
Improving Teacher Quality State Grants	2011	84.367	56,234		58,364	
	2010	84.367	-		1,241	
Total Improving Teacher Quality State Grants			<u>56,234</u>		<u>59,605</u>	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education	2011	84.394	394,855		394,855	
ARRA - Race to the Top	2011	84.395	<u>25,908</u>		<u>25,908</u>	
Total U.S. Department of Education			<u>1,082,969</u>		<u>1,125,456</u>	
TOTAL FEDERAL ASSISTANCE			<u>\$1,307,407</u>	<u>\$17,906</u>	<u>\$1,349,894</u>	<u>\$17,906</u>

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the National Trail Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • 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 District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 8, 2012, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 8, 2012.

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



Dave Yost
Auditor of State

February 8, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of National Trail Local School District, Preble County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of National Trail Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 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 District's compliance with those requirements.

In our opinion, the National Trail Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-02.

Internal Control Over Compliance

The 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 District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2011-02. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



Dave Yost
Auditor of State

February 8, 2012

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #84.394: ARRA – State Fiscal Stabilization Fund-Education Special Education Cluster: CFDA #84.027: Special Education-Grants to States CFDA #84.391: ARRA – Special Education-Grants to States CFDA #84.173: Special Education-Preschool Grants CFDA #84.010: Title I CFDA #84.377: Title I-School Improvement CFDA #84.389: ARRA – Title I
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2011-01

Noncompliance

Ohio Revised 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 Admin. Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

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

Officials' Response:

The District did not provide a response to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2011-02

Noncompliance/Significant Deficiency – 1512 Vendor Reporting

CFDA Title and Number	ARRA-State Fiscal Stabilization Fund, CFDA #84.394
Federal Award Number/Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) & (c) require any entity that receives certain Recovery funds directly from the Federal government (including recovery funds received through grant, loan or contract other than an individual) to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. **Section 1512 (c) (4)** requires detailed information on any subcontracts or subgrants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), allowing aggregate reporting on awards below \$25,000 or to individuals. Further, **Office of Management and Budget Memo M-09-21 dated June 22, 2009** states that prime recipients may choose to delegate certain reporting requirements to sub-recipients. This memo also states three additional data elements associated with any vendors receiving funds from the prime recipient for any payments greater than \$25,000 must be reported.

**FINDING NUMBER 2011-02
(Continued)**

The **Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance** states the Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. ODE distributes ARRA funds to local education agencies (LEAs) as sub recipients and must collect quarterly data from LEAs to meet the reporting requirements associated with ARRA funding. Among the items to be reported, the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000. If the vendor received multiple payments less than \$25,000, even when the total of the payments exceeds \$25,000, the vendor information should *not* be reported.

During 2011, the District had the following single payments from ARRA-State Fiscal Stabilization Fund grant monies in excess of \$25,000 which were not reported to ODE on the 1512 ARRA Subrecipient Vendor report:

- An expenditure of \$60,000 for propane;
- An expenditure of \$31,157 to Hylant Administrative for insurance.

These purchases were not reported to ODE on the 1512 ARRA Subrecipient Vendor report. Noncompliance with 1512 reporting requirements could result in temporary suspension or permanent loss of Federal Recovery funding. We recommend that the District report all vendors receiving single payments of \$25,000 or more, on the ODE 1512 ARRA Subrecipient Vendor report.

Officials' Response:

The District did not provide a response to this finding.

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**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Rev. Code Section 117.38 and 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 2011-01

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether National Trail Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on July 21, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 8, 2012

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NATIONAL TRAIL LOCAL SCHOOL DISTRICT

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 8, 2012**