



Dave Yost • Auditor of State

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 19 to the financial statements, during fiscal year 2013, the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62." We did not modify our opinion regarding these matters.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

September 10, 2013

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**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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, 2013, 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 2013 are as follows:

- The School District reduced disbursements by decreasing staff through attrition, and by replacing retiring teachers with less experienced teachers.
- Receipts increased due to an increase in enrollment as well as a revaluation of property.
- The School District began an OFCC project to repair the roof on the K-8 side of the facility which also increased receipts.

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 Position 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.

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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities – Cash Basis:

The Statement of Net Position and the Statement of Activities reflect how the School District did financially during fiscal year 2013, within the limitations of the cash basis of accounting. The Statement of Net Position 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.

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 Fund, Classroom Facilities Fund and the Roof Repair 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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to fiscal year 2012 on a cash basis:

**Table 1
Net Position**

	2013	2012	Change
Assets:			
Current Assets	\$3,879,930	\$2,758,171	\$1,121,759
Net Position:			
Restricted	1,508,002	946,742	561,260
Unrestricted	2,371,928	1,811,429	560,499
Total Net Position	<u>\$3,879,930</u>	<u>\$2,758,171</u>	<u>\$1,121,759</u>

Current assets consisting of cash and cash equivalents increased \$1,121,759.

Restricted net assets increased during fiscal year 2013. This was due to the OFCC roof repair project that began in fiscal year 2013. The School District received \$544,000 in state funding for this project and as of June 30, 2013, had only \$11,039 of disbursements.

Unrestricted Net Position increased due to increases in receipts and decreases in disbursements which are explained in detail on pages six and seven.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2013 and 2012.

**Table 2
Changes in Net Position**

	2013	2012	Change
Receipts:			
Program Receipts:			
Charges for Services	\$ 790,372	\$ 816,571	(\$ 26,199)
Operating Grants, Interest and Contributions	1,365,523	1,505,565	(140,042)
Total Program Receipts	<u>2,155,895</u>	<u>2,322,136</u>	<u>(166,241)</u>
General Receipts:			
Property Taxes	2,718,791	2,630,393	88,398
Income Tax	2,026,140	1,988,729	37,411
Grants and Entitlements not Restricted to			
Specific Programs	5,578,573	4,803,520	775,053
Investment Earnings	6,559	9,049	(2,490)
Gifts and Donations		19,626	(19,626)
Miscellaneous	57,742	59,953	(2,211)
Total General Receipts	<u>10,387,805</u>	<u>9,511,270</u>	<u>876,535</u>
Total Receipts	<u>12,543,700</u>	<u>11,833,406</u>	<u>710,294</u>
Program Disbursements:			
Instruction:			
Regular	4,402,353	4,624,673	(222,320)
Special	1,401,462	1,344,073	57,389
Vocational	183,399	176,448	6,951
Adult Continuing	9,534	9,490	44

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

**Table 2
Changes in Net Position
(Continued)**

Program Disbursements: (Continued)	2013	2012	Change
Support Services:			
Pupils	559,414	649,701	(90,287)
Instructional Staff	518,140	546,406	(28,266)
Board of Education	49,233	44,887	4,346
Administration	820,520	842,559	(22,039)
Fiscal	348,166	352,009	(3,843)
Operation and Maintenance of Plant	1,073,161	1,072,577	584
Pupil Transportation	696,226	828,033	(131,807)
Central	108,395	123,534	(15,139)
Operation of Non-Instructional Services	489,745	461,251	28,494
Extracurricular Activities	326,775	360,927	(34,152)
Capital Outlay	11,039	19,714	(8,675)
Principal Retirement	329,238	301,169	28,069
Interest and Fiscal Charges	95,141	112,098	(16,957)
Total Disbursements	<u>11,421,941</u>	<u>11,869,549</u>	<u>(447,608)</u>
Change in Net Position	1,121,759	(36,143)	<u>\$1,157,902</u>
Net Position at Beginning of Year	<u>2,758,171</u>	<u>2,794,314</u>	
Net Position at End of Year	<u>\$ 3,879,930</u>	<u>\$ 2,758,171</u>	

Governmental Activities

In total, receipts increased six percent due to increases in property taxes and grants and entitlement not restricted to specific programs. Property taxes increased due to a revaluation being done in the county resulting in increased valuations.

Grant and entitlements increased significantly during fiscal year 2013. This was mainly due to the OFCC roof repair project and the School District receiving over \$500,000 from the State of Ohio. Additionally, an increase in enrollment from fiscal year 2012 increased State Foundation receipts.

Operating grants decreased due to the School District receiving one-time Education Jobs Grant money during fiscal year 2012 and none in fiscal year 2013.

Disbursements decreased by \$447,608, or four percent over fiscal year 2012. Regular instruction saw a significant decrease from fiscal year 2012. This was the result of the School District eliminating two teacher positions through attrition, as well as replacing retiring staff with less experienced staff. Also, during fiscal year 2012, the School District had much higher than normal severance payments to retiring teachers, and fiscal year 2013 payments were back at the normal level.

The decrease in pupils disbursements is mainly the result of reduced occupational and physical therapy costs as less of these services were needed from the Montgomery County Educational Service Center. Also contributing to this decrease was the replacement of a counselor with a less experienced one.

Pupil transportation disbursements decreased by \$131,807. The School District purchased a bus during fiscal year 2012 and did not in fiscal year 2013. Also, a decrease in the number of students transported by the Preble County Educational Service Center decreased pupil transportation disbursements.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

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, the Bond Retirement Fund, the Classroom Facilities Fund and the Roof Repair Fund. All governmental funds had total receipts of \$12,543,700 and disbursements of \$11,421,941. The four major funds account for 89 percent and 87 percent of receipts and disbursements, respectively.

The General Fund had an increase in fund balance of \$546,087. The increase in property taxes along with an increase in enrollment, which increased State Foundation, were major reasons for the increase in fund balance. Disbursements decreased for a variety of reasons, but mainly due to attrition and replacing retiring staff with less experienced staff as well as not purchasing a bus as the School District did during fiscal year 2012.

The Committed amount of \$250,000 on the Statement of Position and Fund Balances is the result of the School District setting aside part of the fiscal year 2013 carry-over for future capital projects. There are several large projects the School District is anticipating in the future, such as HVAC and roof replacements, on the aging high school side of the facility.

The Bond Retirement Debt Service Fund had an increase in fund balance of \$10,901. This fund is used for the retirement of the K-8 Building bonds.

The Classroom Facilities Capital Project Fund accounts for the Ohio Facilities Construction Commission roof repair project on the K-8 side of the facility. This \$1,000,000 budgeted project is funded 64 percent by the State of Ohio and 36 percent by the School District or \$360,000. \$285,000 of the School District's share came from the Roof Repair Capital Projects Fund, described below, and \$75,000 was a transfer from the General Fund. This project has already begun, and is expected to be completed in the fall of 2013.

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 from the original K-8 Ohio School Facilities Project. The School District has been holding this money in anticipation of repairing the roof, and during fiscal year 2013, this money was transferred to the Classroom Facilities Fund, in accordance with the Ohio Facilities Construction Commission Project Agreement, as the major portion of the School District's share of the project.

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 2013, 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 16, 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 \$10,246,816, a \$452,892 increase from the original budgeted receipts. This was the result of increased property tax and State Foundation, as well as a correction in the way income taxes are recorded. Final budget basis disbursements decreased \$99,802.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Debt Administration

Table 3 summarizes the debt outstanding:

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

	2013	2012
Mechanical Pump Room Note		\$ 50,238
School Improvement Bonds		210,000
School Improvement Refunding Bonds	\$1,505,000	1,520,000
Capital Lease	365,000	419,000
	<u>\$1,870,000</u>	<u>\$2,199,238</u>

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

Current Financial Issues and Concerns

The School District was able to increase the General Fund's balance by \$546,087 during fiscal year 2013. A portion of this carryover, \$250,000, has been set aside for future capital projects on the high school side of the facility. The high school side of the facility was built in 1968 and the HVAC units are still the original units. Also, the flat roof is in need of replacement. Both of these projects will be costly. The School District is planning on setting aside money every fiscal year in hopes of having enough to pay for these projects when they are needed.

House Bill 153 has also made it possible for the School District to qualify for an Ohio Facilities Construction Commission project. The School District was able to segment a project and obtain State funding to repair the roof 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, along with some additional money from the General Fund. This process has begun, and construction is anticipated to be completed in the fall of 2013. If the project is completed under budget, the School District will transfer its share of the money back to the General Fund.

On the surface, House Bill 59, the State of Ohio budget bill, is favorable to the School District with an increase of over \$700,000 in State funding over the next two fiscal years. However, the exact impact of this bill is still unknown as the Ohio Department of Education is in the process of breaking down the funding. Once this is done, the School District will have a better idea of the funding level to expect over the next two fiscal years.

Another critical revenue source for the School District is the income tax levy. The .75 percent levy expires at the end of calendar year 2015 and the School District plans on asking voters to renew this levy in November of 2014. Without this money, the School District will be required to make major cuts in order to sustain a positive cash balance.

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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,879,930</u>
Net Position :	
Restricted for:	
Debt Service	\$435,752
Capital Outlay	893,045
Food Service	71,652
Student Managed Activities	45,408
Other Purposes	62,145
Unrestricted	<u>2,371,928</u>
Total Net Position	<u><u>\$3,879,930</u></u>

See Accompanying Notes to the Basic Financial Statements.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
Cash Disbursements	Charges for Services	Operating Grants, Interest and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$4,402,353	\$394,574	\$38,326	(\$3,969,453)
Special	1,401,462		674,003	(727,459)
Vocational	183,399		17,155	(166,244)
Adult Continuing	9,534			(9,534)
Support Services:				
Pupils	559,414		160,135	(399,279)
Instructional Staff	518,140		145,655	(372,485)
Board of Education	49,233			(49,233)
Administration	820,520			(820,520)
Fiscal	348,166			(348,166)
Operation and Maintenance of Plant	1,073,161		26,924	(1,046,237)
Pupil Transportation	696,226		43,254	(652,972)
Central	108,395			(108,395)
Operation of Non-Instructional Services	489,745	184,299	257,721	(47,725)
Extracurricular Activities	326,775	211,499	2,350	(112,926)
Capital Outlay	11,039			(11,039)
Principal Retirement	329,238			(329,238)
Interest and Fiscal Charges	95,141			(95,141)
Total Governmental Activities	\$11,421,941	\$790,372	\$1,365,523	(9,266,046)
General Receipts:				
Property Taxes Levied for:				
General Purposes				2,394,533
Debt Service				279,247
Other Purposes				45,011
Income Tax				2,026,140
Grants and Entitlements not Restricted to Specific Programs				5,578,573
Investment Earnings				6,559
Miscellaneous				57,742
Total General Receipts				10,387,805
Change in Net Position				1,121,759
Net Position at Beginning of Year				2,758,171
Net Position at End of Year				\$3,879,930

See Accompanying Notes to the Basic Financial Statements.

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**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	<u>\$2,376,023</u>	<u>\$435,752</u>	<u>\$893,045</u>
Fund Balances:			
Non-spendable	\$1,122		
Restricted		435,752	893,045
Committed	250,000		
Assigned	311,797		
Unassigned (Deficit)	<u>1,813,104</u>		
Total Fund Balances	<u>\$2,376,023</u>	<u>\$435,752</u>	<u>\$893,045</u>

See Accompanying Notes to the Basic Financial Statements.

Roof Repair	Other Governmental Funds	Total Governmental Funds
<u>\$0</u>	<u>\$175,110</u>	<u>\$3,879,930</u>
		\$1,122
	179,205	1,508,002
		250,000
		311,797
	(4,095)	1,809,009
<u>\$0</u>	<u>\$175,110</u>	<u>\$3,879,930</u>

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>
Receipts:			
Property Taxes	\$2,394,533	\$279,247	
Income Tax	2,026,140		
Intergovernmental	5,372,647	42,577	\$544,000
Investment Earnings	6,475		84
Tuition and Fees	359,587		
Rent	8,835		
Extracurricular Activities	26,152		
Gifts and Donations	317		
Charges for Services			
Miscellaneous	56,964		
Total Receipts	<u>10,251,650</u>	<u>321,824</u>	<u>544,084</u>
Disbursements			
Current:			
Instruction:			
Regular	4,368,256		
Special	1,052,822		
Vocational	183,399		
Adult Continuing	9,534		
Support Services:			
Pupils	403,636		
Instructional Staff	368,947		
Board of Education	49,233		
Administration	810,794	8,365	
Fiscal	348,166		
Operation and Maintenance of Plant	999,430		
Pupil Transportation	696,226		
Central	108,395		
Operation of Non-Instructional Services	364		
Extracurricular Activities	109,457		
Capital Outlay			11,039
Debt Service:			
Principal Retirement	104,238	225,000	
Interest and Fiscal Charges	17,583	77,558	
Total Disbursements	<u>9,630,480</u>	<u>310,923</u>	<u>11,039</u>
Excess of Receipts Over (Under) Disbursements	<u>621,170</u>	<u>10,901</u>	<u>533,045</u>
Other Financing Sources (Uses):			
Advances In	2,509		
Transfers In			360,000
Advances Out	(2,592)		
Transfers Out	(75,000)		
Total Other Financing Sources (Uses)	<u>(75,083)</u>		<u>360,000</u>
Net Change in Fund Balances	546,087	10,901	893,045
Fund Balances at Beginning of Year	<u>1,829,936</u>	<u>424,851</u>	
Fund Balances at End of Year	<u>\$2,376,023</u>	<u>\$435,752</u>	<u>\$893,045</u>

See Accompanying Notes to the Basic Financial Statements.

Roof Repair	Other Governmental Funds	Total Governmental Funds
	\$45,011	\$2,718,791
		2,026,140
	982,142	6,941,366
	63	6,622
		359,587
		8,835
	211,499	237,651
	2,350	2,667
	184,299	184,299
	778	57,742
	<u>1,426,142</u>	<u>12,543,700</u>
	34,097	4,402,353
	348,640	1,401,462
		183,399
		9,534
	155,778	559,414
	149,193	518,140
		49,233
	1,361	820,520
		348,166
	73,731	1,073,161
		696,226
		108,395
	489,381	489,745
	217,318	326,775
		11,039
		329,238
		95,141
	<u>1,469,499</u>	<u>11,421,941</u>
	<u>(43,357)</u>	<u>1,121,759</u>
	2,592	5,101
		360,000
	(2,509)	(5,101)
(\$285,000)		(360,000)
<u>(285,000)</u>	<u>83</u>	
(285,000)	(43,274)	1,121,759
285,000	218,384	2,758,171
<u>\$0</u>	<u>\$175,110</u>	<u>\$3,879,930</u>

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$2,287,552	\$2,394,533	\$2,394,533	
Income Tax	1,911,801	2,026,140	2,026,140	
Intergovernmental	5,117,525	5,372,647	5,372,647	
Investment Earnings	9,000	6,104	6,475	\$371
Tuition and Fees	368,146	359,587	359,587	
Rent	9,000	8,835	8,835	
Extracurricular Activities	42,000	26,152	26,152	
Gifts and Donations	1,500	317	317	
Miscellaneous	47,400	52,501	52,501	
Total Receipts	<u>9,793,924</u>	<u>10,246,816</u>	<u>10,247,187</u>	<u>371</u>
Disbursements				
Current:				
Instruction:				
Regular	4,431,857	4,525,994	4,457,717	68,277
Special	1,131,797	1,082,029	1,052,822	29,207
Vocational	188,711	183,906	183,399	507
Adult/Continuing	13,000	9,534	9,534	
Support Services:				
Pupils	493,694	417,999	408,681	9,318
Instructional Staff	427,117	427,620	382,823	44,797
Board of Education	56,231	92,283	82,276	10,007
Administration	805,682	818,525	811,614	6,911
Fiscal	274,877	363,678	351,010	12,668
Operation and Maintenance of Plant	1,265,176	1,104,853	1,100,858	3,995
Pupil Transportation	784,413	742,214	739,899	2,315
Central	138,531	150,504	129,004	21,500
Operation of Non-Instructional Services		364	364	
Extracurricular Activities	117,134	109,457	109,457	
Debt Service:				
Principal Retirement	104,484	104,238	104,238	
Interest and Fiscal Charges	17,879	17,583	17,583	
Total Disbursements	<u>10,250,583</u>	<u>10,150,781</u>	<u>9,941,279</u>	<u>209,502</u>
Excess of Receipts Over (Under) Disbursements	<u>(456,659)</u>	<u>96,035</u>	<u>305,908</u>	<u>209,873</u>
Other Financing Sources (Uses):				
Refund of Prior Year Disbursements		4,463	4,463	
Advances In		2,509	2,509	
Advances Out		(2,592)	(2,592)	
Transfers Out		(75,000)	(75,000)	
Refund of Prior Year Receipts		(1,000)	(1,000)	
Total Other Financing Sources (Uses)		<u>(71,620)</u>	<u>(71,620)</u>	
Net Change in Fund Balances	(456,659)	24,415	234,288	209,873
Fund Balance Beginning of Year	1,440,468	1,440,468	1,440,468	
Prior Year Encumbrances Appropriated	389,468	389,468	389,468	
Fund Balance End of Year	<u>\$1,373,277</u>	<u>\$1,854,351</u>	<u>\$2,064,224</u>	<u>\$209,873</u>

See Accompanying Notes to the Basic Financial Statements.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$1,720	\$69,422
Net Position:		
Held in Trust for Scholarship	1,720	
Held on Behalf of Students		69,422
Total Net Position	\$1,720	\$69,422

See Accompanying Notes to the Basic Financial Statements.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Private Purpose Trust
Additions:	
Gifts and Donations	\$10,750
Miscellaneous	211
Total Additions	<u>10,961</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>9,750</u>
Change in Net Position	1,211
Net Position at Beginning of Year	<u>509</u>
Net Position at End of Year	<u><u>\$1,720</u></u>

See Accompanying Notes to the Basic Financial Statements.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

A. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-wide Financial Statements

The Statement of Net Position 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 Position 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.

2. 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories: governmental and fiduciary.

1. 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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Classroom Facilities Fund – The Classroom Facilities Capital Projects Fund accounts for and reports restricted receipts and disbursements for the Ohio Facilities Construction Commission shared-funding approved roof repair project on the Elementary/Middle School addition of the facility.

Roof Repair Fund – The Roof Repair Capital Projects Fund is used to account for and report 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.

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. 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. 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.

C. Basis of Accounting

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

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

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

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

E. Cash and Investments

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

During fiscal year 2013, 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 net asset value per share which is the price the investment could be sold for on June 30, 2013.

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 2013 was \$6,475, which included \$2,220 assigned from other School District funds.

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. Net Position

Net position is 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 position restricted for other purposes include resources for federal and State grants restricted to cash disbursement for specified purposes.

The School District's applies restricted resources first when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

H. 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:

1. Non-spendable

The non-spendable 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.

2. 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.

3. 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
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. 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. The Treasurer has been given authority to assign amounts for these purposes by the School District Board of Education.

5. 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.

I. 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.

J. Accumulated Leave

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

K. Capital Assets

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

L. 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
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

3. FUND BALANCES

Fund balance is classified as non-spendable, 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:

<u>Fund Balances</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Non-spendable:					
Unclaimed Monies	\$ 1,122				\$ 1,122
Restricted for:					
Debt Service Payments		\$435,752			435,752
Food Service				\$ 71,652	71,652
Student Managed Activities				45,408	45,408
Classroom Facilities Maintenance				19,309	19,309
SchoolNet Professional Development				123	123
High Schools That Work				100	100
Miscellaneous State & Federal Grants				36,956	36,956
Title VI-B				3,052	3,052
Nutrition Education/Training				1,819	1,819
Title VI				786	786
Capital Improvements			\$893,045		893,045
Total Restricted		435,752	893,045	179,205	1,508,002
Committed to:					
Capital Improvements	250,000				250,000
Assigned to					
Purchases on Order	311,797				311,797
Unassigned (Deficit)	1,813,104			(4,095)	1,809,009
Total Fund Balances	<u>\$2,376,023</u>	<u>\$435,752</u>	<u>\$893,045</u>	<u>\$175,110</u>	<u>\$3,879,930</u>

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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).

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

Net Change in Fund Balance	
	General
Cash Basis	\$546,087
Adjustment for Encumbrances	(311,799)
Budget Basis	\$234,288

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;
3. Written repurchase agreements in the securities listed above;

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

5. DEPOSITS AND INVESTMENTS

4. Bonds and other obligations of the State of Ohio, or Ohio Local Governments;
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.

A. Investments

As of June 30, 2013 the School District had investments in STAROhio in the amount of \$1,598,713. The average maturity of STAROhio is 57.5 days.

B. 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.

C. 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.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute 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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. PROPERTY TAXES (Continued)

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected 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 County by June 30, 2013, are available to finance fiscal year 2013 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 2013 taxes were collected are:

	2012 First- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$124,416,650	94.59%	\$124,530,620	94.20%
Public Utility Personal	7,114,140	5.41%	7,663,240	5.80%
Total Assessed Value	\$131,530,790	100.00%	\$132,193,860	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$30.40		\$30.40	

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, 2011 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.

8. INTERFUND ACTIVITY

At June 30, 2013, the General Fund had an unpaid interfund cash advance, in the amount of \$2,592, 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 \$2,509, for short-term loans made during fiscal year 2012.

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 2013, the School District contracted with Selective Insurance Company of South Carolina for property insurance and Auto Owners Mutual Insurance Company for fleet insurance.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. RISK MANAGEMENT (Continued)

During fiscal year 2013, 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 2013.

B. Workers' Compensation

For fiscal year 2013, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see 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 2013, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (see Note 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 School District's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$195,220, \$192,108 and \$172,716, respectively. The full amount has been contributed for all three 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 system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site 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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$528,428, \$584,835, and \$574,020, respectively. The full amount has been contributed for all three years.

The information relating to contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were not yet available.

11. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System 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, Medicare Advantage, 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 obligation 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 can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 105(e). For fiscal year 2013, 0.16 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 fiscal year 2013, this amount was \$20,525. During fiscal year 2012 (the latest information available), the School District paid \$19,406 in surcharge.

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, 2013, 2012, and 2011 were \$22,547, \$28,518, and \$39,213, respectively. The full amount has been contributed for all three fiscal years.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$11,070 \$11,390, and \$11,115 respectively. The full amount has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$40,648, \$44,987, and \$44,155 respectively. The full amount has been contributed for all three fiscal years.

12. 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 CoreSource.

D. Vision Care

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

12. EMPLOYEE BENEFITS (Continued)

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.

13. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Amount Outstanding 6/30/12	Additions	Deductions	Amount Outstanding 6/30/13	Amounts Due Within One Year
Governmental Activities:					
Mechanical Pump Room Note 2006 3.85%	\$ 50,238		\$ 50,238		
General Obligation School Improvement Bonds 1997 5.73%	210,000		210,000		
General Obligation School Improvement Refunding Bonds 2007 3.75 - 5.875%	1,520,000		15,000	\$1,505,000	\$215,000
Capital Lease	419,000		54,000	365,000	56,000
Total Governmental Activities Long-Term Liabilities	\$2,199,238	\$0	\$329,238	\$1,870,000	\$271,000

A. 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 and was paid off during fiscal year 2013.

B. 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 was 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. The bonds were paid off during fiscal year 2013.

C. 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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

The capital lease will be paid from the General Fund.

The School District's overall legal debt margin was \$10,828,199 with an unvoted debt margin of \$132,194, and an Energy Conservation debt margin of \$824,745, at June 30, 2013.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds Principal	School Improvement Bonds Interest
2014	\$ 215,000	\$ 66,256
2015	225,000	57,456
2016	240,000	48,156
2017	255,000	38,256
2018	265,000	25,537
2019	305,000	8,959
Total	\$1,505,000	\$244,620

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 improvements. 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, 2013.

Fiscal Year Ending June 30,	Total Payments
2014	\$ 68,031
2015	67,014
2016	67,925
2017	67,748
2018	67,499
2019	67,178
Total minimum lease payments	405,395
Less: amount representing interest	(40,395)
Present value of minimum lease payments	\$365,000

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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 \$21,844 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 over 100 school districts and educational service centers in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services, including dental insurance, 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 2013, the School District paid \$730 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Southwestern Ohio Instructional Technology Association:

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of 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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS/SHARED RISK POOL (Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position 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 2013, the School District paid \$900 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 Board exercises total control over the Consortium. The School District paid PCPDC \$3,321 for services provided during the fiscal year. Financial information can be obtained from Kerry Borger, Treasurer, Preble County Educational Service Center, 597 Hillcrest Drive, Eaton, Ohio 45320 or email at kerry.borger@preblecountyesc.org.

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 other participating members. The Chief Administrator of the GRP serves as the coordinator of the program. Each fiscal year, the participating members 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 to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS/SHARED RISK POOL (Continued)

C. Shared Risk Pool

Preble County Schools Regional Council of Governments:

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

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 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 capital acquisition. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2012	
Current Fiscal Year Set-aside Requirement	\$184,063
Qualifying Disbursements	(264,735)
Current Fiscal Year Offsets	(45,011)
Totals	<u>(\$125,683)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$ 0</u>
Set-aside Restricted Balance as of June 30, 2013	<u>\$ 0</u>

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

17. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2013 the following funds had deficit fund balances:

<u>Fund Name</u>	<u>Amount</u>
Title I	\$3,960
Title II-A Improving Teacher Quality	135

The deficit in these funds is due to the timing of when grant money is received from the Ohio Department of Education.

B. 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 position/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.

18. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement 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, 2013.

B. Litigation

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

19. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62."*

GASB *Statement No. 62* incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

19. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

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**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

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	2013	10.555		\$17,528		\$17,528
Cash Assistance:						
National School Breakfast Program	2013	10.553	\$62,011		\$62,011	
National School Lunch Program	2013	10.555	190,022		190,022	
Total Child Nutrition Cluster			<u>252,033</u>	<u>17,528</u>	<u>252,033</u>	<u>17,528</u>
Total U.S. Department of Agriculture			252,033	17,528	252,033	17,528
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2013	84.027	227,521		224,474	
	2012	84.027	7,971		5,616	
Total Special Education Grants to States			<u>235,492</u>		<u>230,090</u>	
Special Education - Preschool Grants	2013	84.173	1,242		1,242	
Total Special Education Cluster			236,734		231,332	
Title I Grants to Local Educational Agencies	2013	84.010	277,017		280,972	
	2012	84.010	27,557		18,528	
Total Title I Grants to Local Educational Agencies			<u>304,574</u>		<u>299,500</u>	
Improving Teacher Quality State Grants	2013	84.367	46,297		46,431	
	2012	84.367	9,701		2,576	
Total Improving Teacher Quality State Grants			<u>55,998</u>		<u>49,007</u>	
ARRA - Race to the Top	2013	84.395	28,854		28,854	
Title VI-B, Rural and Low-Income	2013	84.358	19,128		19,128	
Total U.S. Department of Education			<u>645,288</u>		<u>627,821</u>	
Total Federal Assistance			<u>\$897,321</u>	<u>\$17,528</u>	<u>\$879,854</u>	<u>\$17,528</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, 2013**

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.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of National Trail Local School District, Preble County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 10, 2013, 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 Standard Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 2013-001.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 10, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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:

Report on Compliance for Each Major Federal Program

We have audited the National Trail Local School District's (the District) compliance with the applicable 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 the National Trail Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the National Trail Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable 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.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 10, 2013

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(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?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: CFDA #10.553: National School Breakfast Program CFDA #10.555: National School Lunch Program Special Education Cluster: CFDA #84.027: Special Education-Grants to States CFDA #84.173: Special Education-Preschool Grants
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

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 disclosures 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

None.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	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 2013-001

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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 August 28, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

September 10, 2013

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Dave Yost • Auditor of State

NATIONAL TRAIL LOCAL SCHOOL DISTRICT

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 7, 2013**