



**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of National Trail Local School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 2000. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code, Section 117-2-01, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of National Trail Local School District, Preble County, as of June 30, 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the fiscal year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

This report is intended solely for the information and use of the Audit Committee, Administration, Board of Education and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 12, 2000

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND
AND EXPENDABLE TRUST FUND - FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	
Revenue:						
Revenue from Local Sources:						
Taxes	\$2,869,365	\$40,612	\$265,229			\$3,175,206
Tuition	15,416					15,416
Transportation Fees	1,000					1,000
Earning on Investments	39,910			6,280		46,190
Extracurricular Activities		76,330			\$1,516	77,846
Classroom Materials & Fees	5,712					5,712
Miscellaneous	16,711	3,585			1,598	21,894
Revenue from State Sources:						
Unrestricted Grants in Aid	4,418,209	6,485	33,214	950		4,458,858
Restricted Grants in Aid		39,115		10,099		49,214
Revenue for/on Behalf of the District				262,700		262,700
Revenue from Federal Sources:						
Unrestricted Grants in Aid		68,910				68,910
Restricted Grants in Aid		153,277				153,277
Total Revenue	7,366,323	388,314	298,443	280,029	3,114	8,336,223
Expenditures:						
Current:						
Instruction:						
Regular	3,353,534	52,553		164,627	1,345	3,572,059
Special	374,871	180,482				555,353
Vocational	173,591	1,499		1,900		176,990
Other Instruction	31,091					31,091
Supporting Service:						
Pupils	203,374	19,717				223,091
Instructional	234,309	53,814		7,639		295,762
Board of Education	22,400					22,400
Administration	1,224,209	4,901	6,514			1,235,624
Fiscal Services	174,341	435				174,776
Operation and Maintenance - Plant	698,190	49,007		28,652		775,849
Pupil Transportation	522,182					522,182
Central	59,862	1,704		262,700		324,266
Extracurricular Activities:						
Academic and Subject Oriented Activities	16,080					16,080
Sports Oriented	72,668	50,529				123,197
Co-Curricular	9,813	9,080				18,893
Facilities Acquisition & Construction Services:						
Building Acquisition and Construction				94,076		94,076
Debt Service:						
Repayment of Debt	24,027		254,280			278,307
Total Expenditures	7,194,542	423,721	260,794	559,594	1,345	8,439,996
Excess of Revenue Over (Under) Expenditures:	171,781	(35,407)	37,649	(279,565)	1,769	(103,773)
Other Financing Sources and (Uses):						
Transfers-in	58,565	29,589	31,204			119,358
Advances-in	10,540					10,540
Refund of Prior Year Expenditures	42,031					42,031
Transfers-out	(119,464)					(119,464)
Advances-out	(1,218)					(1,218)
Other Miscellaneous Use of Funds	(49,750)					(49,750)
Total other financing receipts/(disbursements)	(59,296)	29,589	31,204	0	0	1,497
Excess of cash receipts and other financing receipts (Under) Cash Disbursements	112,485	(5,818)	68,853	(279,565)	1,769	(102,276)
Fund Cash Balances, July 1, 1999	136,168	161,467	448,692	565,030	2,443	1,313,800
Fund Cash Balances, June 30, 2000	\$248,653	\$155,649	\$517,545	\$285,465	\$4,212	\$1,211,524
Reserve for encumbrances, June 30, 2000	\$108,329	\$39,869	\$0	\$3,434	\$1,280	\$152,912
Reserve for Budget Stabilization, June 30, 2000	\$143,074					\$143,074

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

PREBLE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPES AND
AGENCY FUNDS - FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Receipts:				
Food Services	\$277,612			\$277,612
Extracurricular Activities		\$25,956	\$197,942	223,898
Classroom Materials & Fees	52,400			52,400
Total Operating Revenue	330,012	25,956	197,942	553,910
Operating Expenditures:				
Personal Services - Salaries	147,642			147,642
Employees' Retirement and Insurance	34,857			34,857
Purchased Services	3,592		1,522	5,114
Supplies and Materials	237,274			237,274
Capital outlay	200			200
Capital outlay - Replacement	21,275			21,275
Other Objects	420	22,315	197,976	220,711
Total Cash Disbursements	445,260	22,315	199,498	667,073
Excess of Operating Receipts Over/(Under) Operating Expenditures	(115,248)	3,641	(1,556)	(113,163)
Non-Operating Revenue:				
Earnings on Investments	1,082			1,082
Miscellaneous		350	1,999	2,349
Revenue from State Sources: Restricted Grants in Aid	5,268			5,268
Revenue for Federal Sources: Unrestricted Grants in Aid	90,490			90,490
Total Non-Operating Revenue	96,840	350	1,999	99,189
Excess of Revenue Over/(Under) Expenses Before Interfund Transfers and Advances	(18,408)	3,991	443	(13,974)
Other financing receipts/(disbursements):				
Transfers-in	106		356	462
Advances-in			1,218	1,218
Transfers-out			(356)	(356)
Advances-out		(10,040)	(500)	(10,540)
Total other financing receipts/(disbursements)	106	(10,040)	718	(9,216)
Excess of cash receipts and other financing receipts (Under) Cash Disbursements	(18,302)	(6,049)	1,161	(23,190)
Fund Cash Balances, July 1, 1999	87,588	9,835	73,508	170,931
Fund Cash Balances, June 30, 2000	<u>\$69,286</u>	<u>\$3,786</u>	<u>\$74,669</u>	<u>\$147,741</u>
Reserve for encumbrances, June 30, 2000	<u>\$1,316</u>	<u>\$446</u>	<u>\$43,293</u>	<u>\$45,055</u>

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fund Types/Funds:			
Governmental			
General Fund	\$7,419,465	\$7,424,888	\$5,423
Special Revenue Funds	470,249	417,903	(52,346)
Debt Service Fund	289,150	329,647	40,497
Capital Projects Funds	278,949	280,029	1,080
Expendable Trust Funds	3,114	3,114	0
Proprietary			
Enterprise Funds	426,411	426,958	547
Internal Service Funds	26,208	26,306	98
Fiduciary			
Agency	<u>195,182</u>	<u>200,297</u>	<u>5,115</u>
Total (Memorandum Only)	<u>\$9,108,728</u>	<u>\$9,109,142</u>	<u>\$414</u>

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

NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Fund Types/Funds:	Prior Year Carryover Appropriations	Appropriations	Total	Actual Disbursements	Outstanding Encumbrances	Total	Variance Favorable (Unfavorable)
Governmental							
General Fund	\$94,456	\$7,406,378	\$7,500,834	\$7,269,300	\$108,329	\$7,377,629	\$123,205
Special Revenue Funds	16,088	573,128	589,216	407,633	39,869	447,502	141,714
Debt Service Fund		263,560	263,560	260,794		260,794	2,766
Capital Projects Funds	31,990	432,631	464,621	527,604	3,434	531,038	(66,417)
Expendable Trust Funds	80	3,978	4,058	1,265	1,280	2,545	1,513
Proprietary							
Enterprise Funds	2,356	494,105	496,461	442,904	1,316	444,220	52,241
Internal Service Funds		25,855	25,855	22,315	446	22,761	3,094
Fiduciary							
Agency	18,738	229,029	247,767	181,116	43,293	224,409	23,358
Total (Memorandum Only)	\$163,708	\$9,428,664	\$9,592,372	\$9,112,931	\$197,967	\$9,310,898	\$281,474

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District is governed by a locally elected five member Board of Education (the Board), which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 65 non-certified and approximately 91 certified teaching personnel and administrative employees providing education to 1,283 students.

Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code, Section 117-2-01, to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on a basis of accounting other than in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

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

1. Governmental Fund Types:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

2. Proprietary Fund Types:

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

Enterprise Funds

The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Types

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

B. Budgetary Process

1. Budget

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

2. Estimated Resources

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

3. Appropriations

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

4. Encumbrances

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

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

C. Cash and Investments

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

During fiscal year 2000, the District's investments were limited to funds invested in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000.

D. Property, Plant and Equipment

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

E. Unpaid Vacation and Sick Leave

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

F. Total Columns on Financial Statements

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

3. DEPOSITS AND INVESTMENTS

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

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

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

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

Interim monies may be deposited or invested in the following securities:

1. United States treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits: At the fiscal year end, the carrying amount of the District's deposits were \$1,357,563 and the bank balance was \$1,561,754. Of the bank balance, \$100,000 was covered by federal depository insurance and \$1,461,754 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at the fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District invests in StarOhio, an investment pool operated by the Ohio State Treasurer, a non-categorized investment since it is not evidenced by securities that exist in physical book entry form. At June 30, 2000, the District had investments in StarOhio in the amount of \$1,702.

4. DEBT OBLIGATIONS

Debt outstanding at June 30, 2000, consisted of the following:

Energy Conservation Notes	
Principal Outstanding	\$ 40,000
Interest Rate	6.700 %
School Improvement Bonds	
Principal Outstanding	\$3,315,000
Interest Rate	5.730 %

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

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

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. DEBT OBLIGATIONS (Continued)

The total requirements to amortize all debt outstanding as of June 30, 2000, including interest are annually listed as follows:

<u>Year Ending June 30</u>	<u>Energy Conservation Notes</u>	<u>School Improvement Bonds</u>
2001	\$22,680	\$262,855
2002	21,340	264,593
2003	0	265,993
2004	0	277,083
2005	0	272,433
2006-2010	0	1,465,990
2011-2015	0	1,541,840
2016-2019	<u>0</u>	<u>1,317,720</u>
Total	<u>\$44,020</u>	<u>\$5,668,507</u>

5. PROPERTY TAX

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

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

The full tax rate applied to real property for the fiscal year ended June 30, 2000, was \$36.88 per \$1,000 of assessed valuation. After adjustment of the rate of inflationary increases in property values, the effective tax rate was \$28.83 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$29.17 per \$1,000 of assessed valuation for all other real property.

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

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended June 30, 2000, was \$36.88 per \$1,000 of assessed valuation.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. PROPERTY TAX (Continued)

Real Property - 1999 Valuation	
Residential/Agricultural	\$74,913,300
Commercial/Industrial	9,711,080
Public Utilities	39,220
Tangible Personal Property - 2000 Valuation	
General	3,912,320
Public Utilities	9,817,050
Total Valuation	<u>\$98,392,970</u>

The School District receives property taxes from Darke and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

6. INCOME TAX

The District levies a voted tax of 1 percent for general operations on the income of residents and estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The total amount of \$919,711 was received during the fiscal year ending June 30, 2000. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

7. RISK MANAGEMENT

A. Other Insurance

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000 the District contracted with Nationwide Insurance Company for property and fleet insurance, liability insurance, and inland marine coverage.

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

B. Workers' Compensation

For fiscal year 2000, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (SOEPC GRP), an insurance purchasing pool. The intent of the SOEPC GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SOEPC GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the SOEPC GRP. Each participant pays its workers' compensation premium to the State based on the rate for the SOEPC GRP

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

7. RISK MANAGEMENT (Continued)

rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the SOEPC GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SOEPC GRP. Participation in the SOEPC GRP is limited to school districts that can meet the SOEPC GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the SOEPC GRP.

C. Employee Medical Benefits

For fiscal year 2000, the School District also participated in the Preble County Schools Regional Council of Governments (COG), a public entity risk pool (Note 12), in order to provide medical benefits to its employees. The COG is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the COG.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$165,870, \$167,064 and \$150,546, respectively.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 6 percent was

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$512,304, \$515,916 and \$516,288, respectively.

9. POST-EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service acts as the Fiscal agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2000, the District paid \$8,425 to SOEPC. To obtain financial information write to Southwestern Ohio Educational Purchasing Council, Robert Brown serving as director at 1831 Harshman Road, Dayton, Ohio 45424.

Southwest Ohio Computer Association - The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Hamilton, Preble, and Warren Counties and Cities of Eaton, Edgewood, Fairfield, Franklin, Hamilton, Lebanon, Loveland, Mason, Middletown, Oxford, and Springboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid SWOCA \$21,833 for services provided during the year. Financial information can be obtained from K. Michael Crumley, who serves as director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run.

One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2000, the School District paid \$6,359 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. GROUP INSURANCE PURCHASING POOL

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

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

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

12. PUBLIC ENTITY RISK POOL

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

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

13. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-Aside Cash Balance June 30, 1999	\$ 0	\$ 0	\$ 84,509	\$ 84,509
Current Year Set-Aside Requirement	175,694	175,694	84,509	435,897
Addition to Reserve Not Required by Law	0	0	58,565	58,565
Current Year Offset	0	0	0	0
Qualifying Disbursements	<u>(182,950)</u>	<u>(237,933)</u>	<u>0</u>	<u>(420,883)</u>
Cash Balance Carried Forward to FY 2001	<u>\$ (7,256)</u>	<u>\$ (62,239)</u>	<u>\$143,074</u>	
Total Restricted General Fund Balance As of June 30, 2000				<u>\$143,074</u>

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

14. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

B. Litigation

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

15. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$4,121,298 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received a total of \$2,778,636 million under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

16. NONCOMPLIANCE

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

- Preparation of financial statements on a Cash rather than GAAP basis;
- Failure to properly certify expenditures; and
- Failure to execute all required 412 certificates.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	n/a	10.550		\$11,711		\$11,302
Child Nutrition Cluster:						
National School Breakfast Program	049270-05-PU-99 049270-05-PU-00	10.553	\$4,630 <u>14,797</u>		\$4,630 <u>14,797</u>	
Total National School Breakfast Program			<u>19,427</u>		<u>19,427</u>	
National School Lunch Program	049270-03-PU-99 049270-03-PU-00 049270-04-PU-99 049270-04-PU-00	10.555	3,596 11,943 13,124 <u>40,928</u>		3,596 11,943 13,124 <u>40,928</u>	
Total National School Lunch Program			<u>69,591</u>		<u>69,591</u>	
Total Child Nutrition Cluster			<u>89,018</u>		<u>89,018</u>	
Total U.S. Department of Agriculture			<u>89,018</u>	<u>11,711</u>	<u>89,018</u>	<u>11,302</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	049270-6B-SF-99P	84.027	67,206		67,206	
Special Education - Preschool Grant	049270-PG-S1-99P	84.173	<u>1,333</u>		<u>1,199</u>	
Total Special Education Cluster			<u>68,539</u>		<u>68,405</u>	
Grants to Local Educational Agencies (ESEA Title I)	049270-C1-S1-99 049270-C1-S1-00	84.010	<u>151,942</u>		48,030 <u>125,059</u>	
Total Grants to Local Educational Agencies			<u>151,942</u>		<u>173,089</u>	
Total U.S. Department of Education			<u>220,481</u>		<u>241,494</u>	
TOTAL FEDERAL ASSISTANCE			<u>\$309,499</u>	<u>\$11,711</u>	<u>\$330,512</u>	<u>\$11,302</u>

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of National Trail Local School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated December 12, 2000, which was modified because the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether National Trail Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10368-001, 2000-10368-002, and 2000-10368-003.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 12, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-10368-001, 2000-10368-002, and 2000-10368-003.

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

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

are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated December 12, 2000.

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

Jim Petro
Auditor of State

December 12, 2000



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

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

To the Board of Education:

Compliance

We have audited the compliance of National Trail Local School District, Preble County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2000. We also noted a matter involving the internal control over federal compliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated December 12, 2000.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would

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

be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Jim Petro
Auditor of State

December 12, 2000

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

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

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

FINDING NUMBER 2000-10368-001

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

Ohio Administrative Code, Section 117-2-01, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

FINDING NUMBER 2000-10368-002

Material Noncompliance/Reportable Condition - Certification of Funds

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

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

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

Of 60 expenditures tested for the audit period, 23 were not properly certified.

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

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

FINDING NUMBER 2000-10368-003

Material Noncompliance/Reportable Condition - 412 Certificates

Ohio Rev. Code, Section 5705.412, requires the Treasurer, Superintendent, and President of the Board of Education to certify that adequate revenues will be available to maintain all personnel, programs and services essential to the provision of an adequate education program for a specified number of days.

The District did not execute all of the 412 certificates required for the audit period. Certificates should have been executed for the following items: all supplemental appropriations and a contract for the purchase of a school bus.

Obligations that have not been certified as required are considered void. Failure to execute the required certificates can result in penalties.

The certifications for fiscal 2000, were obtained after year end. We recommend that the District implement procedures to ensure that all required 412 certificates are completed and executed.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-10368-001	Citation per Ohio Rev. Code Section 5705.04 for proper posting of revenues.	Yes	
1999-10368-002	Citation per Ohio Rev. Code Section 5705.41 (D) for encumbering.	No	Not corrected - Reissued as Finding 2000-10368-002
1999-10368-003	Citation per Ohio Rev. Code Section 149.351(A) for availability of records.	No	Partially corrected - Reissued as management letter comment
1999-10368-004	Citation per Ohio Rev. Code Section 5705.39 for appropriations exceeding total estimated revenue.	Yes	
1999-10368-005	Citation per Ohio Rev. Code Section 135.18 for failure to adequately collateralize deposits.	No	Partially corrected - Reissued as management letter comment
1999-10368-006	Citation per Ohio Rev. Code Section 5705.412 for not issuing any 412 certificates.	No	Partially corrected - Reissued as Finding 2000-10368-003
1999-10368-007	Citation per Ohio Admin. Code Section 117-2-0 for not preparing financial statements in accordance with generally accepted accounting principles.	No	Not corrected - Reissued as Finding 2000-10368-001
1999-10368-008	An internal control recommendation regarding cash reconciliations	Yes	

NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2000
(Continued)

1999-10368-009	An internal control recommendation for escrow accounts.	No	Not corrected - Reissued as management letter comment
1998-10368-010	Internal control recommendation for increased oversight by the governing board.	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

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NATIONAL TRAIL LOCAL SCHOOL DISTRICT

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 02, 2001**