



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 School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School 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 School 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 School 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, 2014, 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 School 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.

Other Matters

Supplemental and Other Information

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

Management's Discussion & Analysis includes tables of net position, changes in net position, 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 November 18, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 School 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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 18, 2014

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**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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, 2014, 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 2014 are as follows:

- The School District received funds from an anonymous donor for various projects on School District properties.
- The majority of the OFCC roof repair project was completed during the fiscal year.
- The School District received increases in funding from the State due to changes in the funding formula.

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, 2014
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 2014, 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, the Classroom Facilities Fund and the Donation 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, 2014
UNAUDITED
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013 on a cash basis:

Table 1			
Net Position			
	2014	2013	Change
Assets:			
Current Assets	\$4,380,787	\$3,879,930	\$500,857
Net Position:			
Restricted	1,253,754	1,508,002	(254,248)
Unrestricted	3,127,033	2,371,928	755,105
Total Net Position	\$4,380,787	\$3,879,930	\$500,857

Current assets consisting of cash and cash equivalents increased \$500,857.

Restricted net assets decreased during fiscal year 2014. This was due to the OFCC roof repair project that began in fiscal year 2013. The receipts for this project were received during fiscal year 2013, and the majority of the disbursements were made during fiscal year 2014.

Unrestricted Net Position increased due to increases in receipts 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, 2014 and 2013.

Table 2			
Changes in Net Position			
	2014	2013	Change
Receipts			
Program Receipts:			
Charges for Services	\$894,891	\$790,372	\$104,519
Operating Grants, Interest and Contributions	1,294,572	1,365,523	(70,951)
Capital Grants and Contributions	431,904		431,904
Total Program Receipts	2,621,367	2,155,895	465,472
General Receipts:			
Property Taxes	2,692,832	2,718,791	(25,959)
Income Tax	2,122,702	2,026,140	96,562
Grants and Entitlements not Restricted to Specific Programs	5,423,520	5,578,573	(155,053)
Investment Earnings	5,913	6,559	(646)
Gifts and Donations	750		750
Miscellaneous	106,112	57,742	48,370
Total General Receipts	10,351,829	10,387,805	(35,976)
Total Receipts	\$12,973,196	\$12,543,700	\$429,496

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

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

	2014	2013	Change
Program Disbursements:			
Instruction:			
Regular	\$4,677,152	\$4,402,353	\$274,799
Special	1,408,236	1,401,462	6,774
Vocational	179,427	183,399	(3,972)
Adult Continuing	13,404	9,534	3,870
Support Services:			
Pupils	528,363	559,414	(31,051)
Instructional Staff	430,667	518,140	(87,473)
Board of Education	80,583	49,233	31,350
Administration	826,502	820,520	5,982
Fiscal	392,228	348,166	44,062
Operation and Maintenance of Plant	1,189,560	1,073,161	116,399
Pupil Transportation	890,312	696,226	194,086
Central	54,611	108,395	(53,784)
Operation of Non-Instructional Services	451,593	489,745	(38,152)
Extracurricular Activities	374,273	326,775	47,498
Capital Outlay	624,962	11,039	613,923
Principal Retirement	271,000	329,238	(58,238)
Interest and Fiscal Charges	79,466	95,141	(15,675)
Total Disbursements	12,472,339	11,421,941	1,050,398
Change in Net Position	500,857	1,121,759	(<u>\$620,902</u>)
Net Position at Beginning of Year	3,879,930	2,758,171	
Net Position at End of Year	\$4,380,787	\$3,879,930	

Governmental Activities

In total, receipts increased three percent due to increases in charges for services and capital grants and contributions. The increase in charges for services was mainly due to the School District receiving tuition from other school districts related to non-resident special education students from prior fiscal years during fiscal year 2014.

The increase in capital grants and contributions was due to an anonymous donor giving the School District funds for various capital projects. These projects included replacing the lights, bleachers, soccer goals, and football field goal posts at the sports complex and resurfacing the high school gym floor as well as a few other smaller purchases.

Grants and entitlements decreased during fiscal year 2014. This was mainly due to the OFCC roof repair project and the School District receiving over \$500,000 from the State of Ohio during fiscal year 2013, and none during fiscal year 2014. This was offset by an increase in State Foundation received. Due to changes in the State funding formula, National Trail Local School District received approximately \$400,000 more in State Foundation during fiscal year 2014.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Disbursements increased by \$1,050,398, or nine percent over fiscal year 2013. The major contributor to this increase was capital outlay disbursements for the OFCC roof repair project. The funding for this project was received during fiscal year 2013, but the majority of the disbursements were in fiscal year 2014. Other factors that increased overall disbursements were raises given to staff after a two year freeze, increase in the cost of health insurance as well as an increase in the number of staff taking insurance, the purchase of a bus, a cold winter caused increases in utilities, and an increase in the number of kids enrolling in community schools.

The changes within the individual disbursement line items are hard to determine. The Ohio Department of Education changed the way some disbursements were coded during fiscal year 2014. This change caused individual line items to change from fiscal year 2013 to fiscal year 2014. For example, classroom aides were previously reported as instructional staff and are now reported as regular instruction.

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 Donation Fund. All governmental funds had total receipts of \$12,973,196 and disbursements of \$12,472,339. The four major funds account for 90 percent and 89 percent of receipts and disbursements, respectively.

The General Fund had an increase in fund balance of \$752,616. Increases in State Foundation receipts as well as some one time money due to the timing of when tuition from other school districts was received contributed to the increase in fund balance.

Disbursements also increased for a variety of reasons including staff raises, increases in insurance rates, a bus purchase, increased utility costs, and an increase in the number kids attending community schools.

The Committed amount of \$545,000 on the Statement of Assets and Fund Balances is the result of the School District continuing to set-aside money 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 \$29,607. 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. Due to some additional items that needed to be added, work on the roof repair was not done until the spring of 2014. The final project closeout was not completed by June 30, 2014.

The Donation Fund accounts for receipts from an anonymous donor for various projects and purchases around the School District. Projects include new bleachers, lights, soccer goals and football goal posts at the sports complex, refinishing the high school gym floor, new scoreboards in the high school gym and upgrades to the bleachers in the middle school gym.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

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 2014, 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 18, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, the final budget for both receipts and disbursements was only slightly modified from the original budget.

Debt Administration

Table 3 summarizes the debt outstanding:

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

	2014	2013
School Improvement Refunding Bonds	\$1,290,000	\$1,505,000
Capital Lease	309,000	365,000
	<u>\$1,599,000</u>	<u>\$1,870,000</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 \$752,616 during fiscal year 2014. A portion of this carryover, \$295,000, has been set aside for future capital projects on the high school side of the facility bringing the total to \$545,000. 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.

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 ran a renewal levy in May of 2014 and was successful. With the passage of the renewal, the income doesn't expire until the end of calendar year 2020. While the passage of the income tax levy is positive news for the School District, management continues to look at different ways to cut disbursements.

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, 2014**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,380,787</u>
Net Position:	
Restricted for:	
Debt Service	\$465,359
Capital Outlay	674,168
Food Service	31,484
Classroom Facilities Maintenance	31,429
Student Managed Activities	42,770
Other Purposes	8,544
Unrestricted	<u>3,127,033</u>
Total Net Position	<u><u>\$4,380,787</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, 2014**

	<u>Program Cash Receipts</u>				Net (Disbursements) Receipts and Changes in Net Position
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Interest and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$4,677,152	\$514,329	\$18,723		(4,144,100)
Special	1,408,236		706,769		(701,467)
Vocational	179,427		14,783		(164,644)
Adult Continuing	13,404				(13,404)
Support Services:					
Pupils	528,363		142,176		(386,187)
Instructional Staff	430,667		92,585		(338,082)
Board of Education	80,583				(80,583)
Administration	826,502				(826,502)
Fiscal	392,228				(392,228)
Operation and Maintenance of Plant	1,189,560		7,832	\$431,904	(749,824)
Pupil Transportation	890,312		31,928		(858,384)
Central	54,611				(54,611)
Operation of Non-Instructional Services	451,593	165,354	243,448		(42,791)
Extracurricular Activities	374,273	215,208	36,328		(122,737)
Capital Outlay	624,962				(624,962)
Principal Retirement	271,000				(271,000)
Interest and Fiscal Charges	79,466				(79,466)
Total Governmental Activities	<u>\$12,472,339</u>	<u>\$894,891</u>	<u>\$1,294,572</u>	<u>\$431,904</u>	<u>(9,850,972)</u>
General Receipts:					
Property Taxes Levied for:					
General Purposes					2,371,985
Debt Service					276,354
Other Purposes					44,493
Income Tax					2,122,702
Grants and Entitlements not Restricted to Specific Programs					5,423,520
Investment Earnings					5,913
Gifts and Donations					750
Miscellaneous					106,112
Total General Receipts					<u>10,351,829</u>
Change in Net Position					500,857
Net Position at Beginning of Year					<u>3,879,930</u>
Net Position at End of Year					<u>\$4,380,787</u>

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, 2014**

	General	Bond Retirement	Classroom Facilities
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$3,128,639	\$465,359	\$268,171
Fund Balances:			
Non-spendable	\$1,122		
Restricted		465,359	268,171
Committed	545,000		
Assigned	238,976		
Unassigned (Deficit)	2,343,541		
Total Fund Balances	\$3,128,639	\$465,359	\$268,171

See Accompanying Notes to the Basic Financial Statements.

<u>Donation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>\$405,997</u>	<u>\$112,621</u>	<u>\$4,380,787</u>
405,997	114,227	\$1,122 1,253,754 545,000 238,976
<u>\$405,997</u>	<u>(1,606) \$112,621</u>	<u>2,341,935 \$4,380,787</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, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>
Receipts:			
Property Taxes	\$2,371,985	\$276,354	
Income Tax	2,122,702		
Intergovernmental	5,768,989	42,787	
Investment Earnings	5,825		\$88
Tuition and Fees	475,053		
Rent	8,385		
Extracurricular Activities	30,891		
Gifts and Donations	1,102		
Charges for Services			
Miscellaneous	102,866		
Total Receipts	<u>10,887,798</u>	<u>319,141</u>	<u>88</u>
Disbursements:			
Current:			
Instruction:			
Regular	4,657,434		
Special	1,045,810		
Vocational	179,427		
Adult Continuing	13,404		
Support Services:			
Pupils	384,707		
Instructional Staff	306,307		
Board of Education	80,583		
Administration	816,904	8,278	
Fiscal	392,228		
Operation and Maintenance of Plant	1,124,768		
Pupil Transportation	890,312		
Central	54,611		
Operation of Non-Instructional Services			
Extracurricular Activities	118,069		
Capital Outlay			624,962
Debt Service:			
Principal Retirement	56,000	215,000	
Interest and Fiscal Charges	13,210	66,256	
Total Disbursements	<u>10,133,774</u>	<u>289,534</u>	<u>624,962</u>
Excess of Receipts Over (Under) Disbursements	<u>754,024</u>	<u>29,607</u>	<u>(624,874)</u>
Other Financing Sources (Uses):			
Advances In	2,592		
Advances Out	(4,000)		
Total Other Financing Sources (Uses)	<u>(1,408)</u>		
Net Change in Fund Balances	752,616	29,607	(624,874)
Fund Balances at Beginning of Year	<u>2,376,023</u>	<u>435,752</u>	<u>893,045</u>
Fund Balances at End of Year	<u>\$3,128,639</u>	<u>\$465,359</u>	<u>\$268,171</u>

See Accompanying Notes to the Basic Financial Statements.

<u>Donation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$44,493	\$2,692,832
		2,122,702
	869,599	6,681,375
	37	5,950
		475,053
		8,385
	215,208	246,099
\$431,904	36,328	469,334
	165,354	165,354
	3,246	106,112
<u>431,904</u>	<u>1,334,265</u>	<u>12,973,196</u>
	19,718	4,677,152
	362,426	1,408,236
		179,427
		13,404
	143,656	528,363
	124,360	430,667
		80,583
	1,320	826,502
		392,228
25,907	38,885	1,189,560
		890,312
		54,611
	451,593	451,593
	256,204	374,273
		624,962
		271,000
		79,466
<u>25,907</u>	<u>1,398,162</u>	<u>12,472,339</u>
<u>405,997</u>	<u>(63,897)</u>	<u>500,857</u>
	4,000	6,592
	(2,592)	(6,592)
	<u>1,408</u>	
405,997	(62,489)	500,857
	175,110	3,879,930
<u>\$405,997</u>	<u>\$112,621</u>	<u>\$4,380,787</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, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property Taxes	\$2,377,634	\$2,377,634	\$2,371,985	(\$5,649)
Income Tax	2,046,400	2,046,400	2,122,702	76,302
Intergovernmental	5,354,233	5,354,233	5,768,989	414,756
Investment Earnings	7,000	7,000	5,825	(1,175)
Tuition and Fees	362,704	362,704	475,053	112,349
Rent	6,000	6,000	8,385	2,385
Extracurricular Activities	36,200	36,200	30,891	(5,309)
Gifts and Donations	1,000	1,000	1,102	102
Miscellaneous	31,000	32,990	101,666	68,676
Total Receipts	<u>10,222,171</u>	<u>10,224,161</u>	<u>10,886,598</u>	<u>662,437</u>
Disbursements:				
Current:				
Instruction:				
Regular	4,543,313	4,710,574	4,700,918	9,656
Special	1,135,478	1,054,945	1,054,945	
Vocational	194,625	179,677	179,677	
Adult/Continuing	13,518	13,890	13,404	486
Support Services:				
Pupils	460,344	395,159	395,159	
Instructional Staff	388,772	324,489	324,489	
Board of Education	88,951	86,124	86,124	
Administration	806,431	832,661	832,661	
Fiscal	342,334	406,159	405,844	315
Operation and Maintenance of Plant	1,214,914	1,218,073	1,218,073	
Pupil Transportation	795,777	915,805	915,778	27
Central	111,760	55,240	55,240	
Operation of Non-Instructional Services				
Extracurricular Activities	208,300	118,069	118,069	
Debt Service:				
Principal Retirement	56,000	56,000	56,000	
Interest and Fiscal Charges	13,210	13,210	13,210	
Total Disbursements	<u>10,373,727</u>	<u>10,380,075</u>	<u>10,369,591</u>	<u>10,484</u>
Excess of Receipts Over (Under) Disbursements	<u>(151,556)</u>	<u>(155,914)</u>	<u>517,007</u>	<u>672,921</u>
Other Financing Sources (Uses):				
Refund of Prior Year Disbursements			1,200	1,200
Advances In	7,500	5,510	2,592	(2,918)
Advances Out	(7,500)	(4,000)	(4,000)	
Transfers Out	(45,000)	(295,032)		295,032
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(293,522)</u>	<u>(208)</u>	<u>293,314</u>
Net Change in Fund Balances	(196,556)	(449,436)	516,799	966,235
Fund Balance Beginning of Year	2,064,224	2,064,224	2,064,224	
Prior Year Encumbrances Appropriated	<u>311,799</u>	<u>311,799</u>	<u>311,799</u>	
Fund Balance End of Year	<u>\$2,179,467</u>	<u>\$1,926,587</u>	<u>\$2,892,822</u>	<u>\$966,235</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, 2014**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$7,823	\$65,248
Net Position:		
Held in Trust for Scholarship	\$7,823	
Held on Behalf of Students		65,248
Total Net Position	\$7,823	\$65,248

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, 2014**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Donations	\$8,750
Miscellaneous	1,103
Total Additions	<u>9,853</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>3,750</u>
Change in Net Position	6,103
Net Position at Beginning of Year	<u>1,720</u>
Net Position at End of Year	<u><u>\$7,823</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, 2014**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. 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, 2014
(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, 2014
(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.

Donation Fund – The Donation Capital Projects Fund is used to account for and report anonymous restricted donations the School District received for certain capital projects as approved by the donor.

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, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds, other than 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 appropriation 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 appropriation 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 budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board 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 School District 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.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation 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 2014, 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, 2014.

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 2014 was \$5,825, which included \$1,561 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, 2014
(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 represents the difference between all other elements in a statement of financial 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 District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level of formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District 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.

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. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fund balance.

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.

M. Internal Activity

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:

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

3. FUND BALANCES (Continued)

<u>Fund Balances</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Donation</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Non-spendable:						
Unclaimed Monies	\$1,122					\$1,122
Restricted for:						
Debt Service Payments		\$465,359				465,359
Food Service					\$31,484	31,484
Student Managed Activities					42,770	42,770
Classroom Facilities Maintenance					31,429	31,429
SchoolNet Professional Development					123	123
High Schools That Work						
Miscellaneous State & Federal Grants					5,055	5,055
Title VI-B					652	652
Nutrition Education/Training					1,819	1,819
Title I					109	109
Title VI					786	786
Capital Improvements			\$268,171	\$405,997		674,168
Total Restricted		465,359	268,171	405,997	114,227	1,253,754
Committed to:						
Capital Improvements	545,000					545,000
Assigned to:						
Purchases on Order	238,976					238,976
Unassigned (Deficit)	2,343,541				(1,606)	2,341,935
Total Fund Balances	<u>\$3,128,639</u>	<u>\$465,359</u>	<u>\$268,171</u>	<u>\$405,997</u>	<u>\$112,621</u>	<u>\$4,380,787</u>

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.

<u>Net Change in Fund Balance</u>	
	<u>General</u>
Cash Basis	\$752,616
Adjustment for Encumbrances	(235,817)
Budget Basis	<u>\$516,799</u>

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits 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 of Education 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 that 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;
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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

A. Investments

As of June 30, 2014 the School District had investments in STAROhio in the amount of \$2,320,915. The average maturity of STAROhio is 51.4 days.

B. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District has no investment policy that addresses interest rate risk beyond State statute requirements. State statute requires that an investment mature within five years from 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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013 on the assessed value listed as of January 1, 2013, 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.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, 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, 2014 are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$124,530,620	94.20%	\$124,714,630	94.29%
Public Utility Personal	7,663,240	5.80%	7,552,960	5.71%
Total Assessed Value	<u>\$132,193,860</u>	<u>100.00%</u>	<u>\$132,267,590</u>	<u>100.00%</u>
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 and passed again in May of 2014 for an additional five years. 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, 2014, the General Fund had an unpaid interfund cash advance, in the amount of \$4,000, 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 \$2,592, for short-term loans made during fiscal year 2013.

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 2014, the School District, along with other school districts in Ohio, participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP, and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (see Note 15). The School District contracts for property, fleet, and liability insurance with OSP.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage since last year.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2014, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience, and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2014, 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.

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary, and the School District is required to contribute 14.0 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 10.0 percent for plan members and 14.0 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, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 percent of the 14.0 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, 2014, 2013, and 2012 were \$191,881, \$195,220 and \$192,108, respectively. The full amount has been contributed for all three years.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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.

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 11 percent for members and 14.0 percent for employers. For the fiscal year ended June 30, 2014, plan members were required to contribute 11.0 percent of their annual covered salary. The School District was required to contribute 14.0 percent; 13.0 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, 2014, 2013, and 2012 were \$514,685, \$528,428, and \$584,835, respectively. The full amount has been contributed for all three years.

Contributions to the DC and Combined Plans for fiscal year 2014 were \$7,131 made by the School District plan members and \$7,131 made by the School District.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. POST-EMPLOYMENT 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 (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 14.0 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 105I. For fiscal year 2014, 0.14 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 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$22,158 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, 2014, 2013, and 2012 were \$38,911, \$22,547, and \$28,518, respectively. The full amount has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$11,175, \$11,070, and \$11,390 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 authorized 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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

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 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. In March 2014, the Board voted to eliminate this allocation for fiscal year 2015. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$39,591, \$40,648, and \$44,987 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.

E. Deferred Compensation Plan

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Amount Outstanding 6/30/13	Additions	Deductions	Amount Outstanding 6/30/14	Amounts Due Within One Year
Governmental Activities:					
General Obligation School Improvement Refunding Bonds 2007 3.75 – 5.875%	\$1,505,000		\$215,000	\$1,290,000	\$225,000
Capital Lease	365,000		56,000	309,000	57,000
Total Governmental Activities Long-Term Liabilities	<u>\$1,870,000</u>	<u>\$0</u>	<u>\$271,000</u>	<u>\$1,599,000</u>	<u>\$282,000</u>

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

The capital lease will be paid from the General Fund.

The School District's overall legal debt margin was \$11,079,442 with an un-voted debt margin of \$132,268, and an Energy Conservation debt margin of \$881,408, at June 30, 2014.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds Principal	School Improvement Bonds Interest
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	<u>\$1,290,000</u>	<u>\$178,364</u>

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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. CAPITAL LEASES – LESSEE DISCLOSURE (Continued)

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, 2014.

Fiscal Year Ending June 30,	Total Payments
2015	\$67,014
2016	67,925
2017	67,748
2018	67,499
2019	67,178
Total minimum lease payments	337,364
Less: amount representing interest	(28,364)
Present value of minimum lease payments	\$309,000

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 Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid SWOCA \$23,320 for services provided 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.

The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. 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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

Payments to SOEPC are made from the General Fund. During fiscal year 2014, the School District paid \$742 to 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, Ohio 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. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board

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 2014, the School District paid \$875 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank Depalma, who serves as Interim 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 \$2,545 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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs, and other administrative services. The OSP's business and affairs are conducted by a 13-member Board of Directors, consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales, and marketing to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

C. Shared Risk Pool

Preble County Schools Regional Council of Governments

The Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool, was formed by five local school districts and the Preble County Educational Service Center for the purpose of achieving lower rates for medical insurance. The Council is governed by an advisory committee consisting of each member's superintendent or designee from each 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 Fiscal Officer, 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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

16. SET-ASIDE CALCULATIONS (Continued)

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, 2013	
Current Fiscal Year Set-aside Requirement	\$187,105
Qualifying Disbursements	(245,655)
Current Fiscal Year Offsets	(44,494)
Totals	<u>(\$103,044)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Retriced Balance as of June 30, 2014	<u>\$0</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisitions set-aside amount below zero. The extra amount for capital acquisitions may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

17. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2014 the following funds had deficit fund balances:

Fund Name	Amount
Race to the Top	\$255
Title II-A	1,351

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 modified 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 certain 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.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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, 2014.

B. Litigation

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

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	2014	10.555		\$16,884		\$16,884
Cash Assistance:						
National School Breakfast Program	2014	10.553	\$53,655		\$53,655	
National School Lunch Program	2014	10.555	184,253		184,253	
Total Child Nutrition Cluster			<u>237,908</u>	<u>16,884</u>	<u>237,908</u>	<u>16,884</u>
Total U.S. Department of Agriculture			<u>237,908</u>	<u>16,884</u>	<u>237,908</u>	<u>16,884</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2014	84.027	227,179		226,530	
	2013	84.027	3,068		6,116	
Total Special Education Grants to States			<u>230,247</u>		<u>232,646</u>	
Special Education - Preschool Grants	2014	84.173	1,212		1,212	
Total Special Education Cluster			<u>231,459</u>		<u>233,858</u>	
Title I Grants to Local Educational Agencies	2014	84.010	266,279		266,163	
	2013	84.010	34,946		30,990	
Total Title I Grants to Local Educational Agencies			<u>301,225</u>		<u>297,153</u>	
Improving Teacher Quality State Grants	2014	84.367	44,524		45,874	
	2013	84.367	5,377		5,243	
Total Improving Teacher Quality State Grants			<u>49,901</u>		<u>51,117</u>	
ARRA - Race to the Top	2014	84.395	29,517		29,772	
State Personnel Development Grant	2014	84.323A			2,466	
Total U.S. Department of Education			<u>612,102</u>		<u>614,366</u>	
Total Federal Assistance			<u>\$850,010</u>	<u>\$16,884</u>	<u>\$852,274</u>	<u>\$16,884</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, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the National Trail Local School District's (the School 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 School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the entitlement value. The School 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 School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 18, 2014, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School 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 School 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 School 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 School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School 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

November 18, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 the Major Federal Program

We have audited the National Trail Local School District's (the School 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 the National Trail Local School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program 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 School 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 School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The School 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 School 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 School 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

November 18, 2014

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code § 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 § 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 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 School District can be fined and various other administrative remedies may be taken against the School District. We recommend the School District prepare its annual financial report in accordance with generally accepted accounting principles.

Officials' Response:

Officials 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, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles.	No	Not Corrected; re-issued as Finding 2014-001

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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
DECEMBER 23, 2014**