



Mary Taylor, CPA
Auditor of State

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of National Trail Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of National Trail Local School District, Preble County, Ohio, as of June 30, 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 16, 2010

National Trail Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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, 2009, 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 2009 are as follows:

- In total, net assets increased \$904,531 from fiscal year 2008.
- Only 16 percent or \$1,745,737 of total disbursements of \$11,098,976 are offset by program specific charges for services, grants, interest, or contributions. General receipts, mainly in the form of taxes and entitlements, were enough to make up the difference.
- The General Fund's balance increased \$376,586 over fiscal year 2008.

Using this Annual Financial Report

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

Report Components:

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

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

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

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.

National Trail Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

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

Reporting the School District as a Whole

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

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during fiscal year 2009, within the limitations of cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program cash receipts for each governmental program. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program cash receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental program draws from the School District's general receipts.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements:

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

National Trail Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Governmental Funds:

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2009 compared to fiscal year 2008 on a cash basis:

Table 1 Net Assets			
	2009	2008	Change
Assets			
Current Assets	\$2,312,130	\$1,407,599	\$904,531
Net Assets			
Restricted	1,144,153	610,846	533,307
Unrestricted	1,167,977	796,753	371,224
<i>Total Net Assets</i>	\$2,312,130	\$1,407,599	\$904,531

Total net assets of governmental activities increased \$904,531, of which \$533,307 was an increase in restricted net assets and \$371,224 was in increase in unrestricted net assets. The increase in restricted net assets was the result of two issues. The first issue was due to the School District receiving a settlement of \$285,000 to repair the roof of the school building. The repair has not yet occurred. Second, the School District entered into a lease purchase agreement in the amount of \$567,000 for energy conservation improvements to the school building.

Unrestricted net assets increased for the third year in a row, a direct result of the additional three-fourths percent income tax the School District began collecting during fiscal year 2006. Prior to the passage of the additional income tax, unrestricted net assets decreased to \$155,289, or only one percent of fiscal year 2009 total disbursements.

Since collections began, the School District has increased unrestricted net assets to \$1,167,977, which equals 11 percent of fiscal year 2009 total disbursements and has stabilized the School District's budget and has kept the School District from making massive cuts. While the School District has enjoyed a steady increase this may not be the case as the following table shows that income tax collections may have topped out in fiscal year 2008 and collections actually decreased from fiscal year 2008 to fiscal year 2009.

National Trail Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2009 and 2008.

Table 2
Changes in Net Assets

	2009	2008	Change
Receipts			
Program Receipts:			
Charges for Services	\$609,447	\$597,154	\$12,293
Operating Grants, Interest and Contributions	1,117,280	1,200,572	(83,292)
Capital Grants, Interest and Contributions	19,010	8,914	10,096
<i>Total Program Receipts</i>	<u>1,745,737</u>	<u>1,806,640</u>	<u>(60,903)</u>
General Receipts:			
Property Taxes	2,381,514	2,344,252	37,262
Income Tax	1,909,192	2,046,397	(137,205)
Grants and Entitlements not Restricted to Specific Programs	4,973,490	4,772,622	200,868
Investment Earnings	17,923	31,482	(13,559)
Gifts and Donations	21,237	6,337	14,900
Proceeds from Capital Lease	567,000	0	567,000
Proceeds from Sale of Capital Assets	660	0	660
Miscellaneous	101,754	27,887	73,867
<i>Total General Receipts</i>	<u>9,972,770</u>	<u>9,228,977</u>	<u>743,793</u>
<i>Total Receipts</i>	<u>11,718,507</u>	<u>11,035,617</u>	<u>682,890</u>
Program Disbursements			
Instruction:			
Regular	4,369,330	4,273,208	96,122
Special	1,276,015	1,363,269	(87,254)
Vocational	202,406	252,828	(50,422)
Adult Continuing	14,736	9,665	5,071
Support Services:			
Pupils	541,652	540,329	1,323
Instructional Staff	430,233	381,613	48,620
Board of Education	43,469	44,797	(1,328)
Administration	738,877	778,291	(39,414)
Fiscal	326,112	242,722	83,390
Operation and Maintenance of Plant	1,227,894	966,462	261,432
Pupil Transportation	702,005	646,718	55,287
Central	114,555	116,276	(1,721)
Operation of Non-Instructional Services	445,250	380,668	64,582
Extracurricular Activities	318,757	296,963	21,794
Principal Retirement	203,901	222,274	(18,373)
Interest and Fiscal Charges	143,784	146,172	(2,388)
<i>Total Disbursements</i>	<u>11,098,976</u>	<u>10,662,255</u>	<u>436,721</u>
<i>Increase in Net Assets Before Extraordinary Item</i>	619,531	373,362	246,169
Extraordinary Item - Insurance Settlement	285,000	0	0
<i>Change in Net Assets</i>	<u>904,531</u>	<u>373,362</u>	<u>\$246,169</u>
<i>Net Assets at Beginning of Year</i>	<u>1,407,599</u>	<u>1,034,237</u>	
<i>Net Assets at End of Year</i>	<u>\$2,312,130</u>	<u>\$1,407,599</u>	

National Trail Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Governmental Activities

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 20 percent and income taxes made up 16 percent of receipts for fiscal year 2009. Grants and entitlements not restricted to specific programs, the main bulk of school funding from the State, made up 42 percent of receipts.

As mentioned earlier, the School District entered into a capital lease during fiscal year 2009 in the amount of \$567,000. Since the School District has chosen to report on the cash basis of accounting, the lease proceeds are recorded as a receipt. Without the lease, total receipts remained constant from the prior year increasing only \$115,890.

Instruction comprises 53 percent of disbursements and decreased less than one percent from fiscal year 2008. Support services disbursements make up 37 percent of the disbursements and increased 11 percent from fiscal year 2008. The majority of this increase was in the operation and maintenance of plant, a result of the conservation project that began during the fiscal year.

The School District's Funds

The School District's major funds are accounted for using the cash basis of accounting and include the General Fund, Bond Retirement Debt Service Fund and the Roof Repair Capital Projects Fund. All governmental funds had total receipts of \$11,150,847 and disbursements of \$11,098,976. The three major funds account for 88 percent and 85 percent of receipts and disbursements, respectively.

The General Fund had an increase in fund balance of \$376,586, a smaller increase than in previous years. Overall, receipts increased less than one percent from fiscal year 2008, even though income tax collections decreased resulting from current economic conditions. Also, the School District continually monitors disbursements to avoid wasteful spending resulting in a one percent increase from the prior year, mainly due to increases in salaries and benefits.

The Bond Retirement Debt Service Fund had a decrease in fund balance of \$11,026 as debt service payments outpaced receipts, a result of an increase in delinquent tax payers.

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

General Fund Budgeting Highlights

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

National Trail Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2009
 Unaudited

During the course of fiscal year 2009 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 12, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, final budget basis receipts were \$9,452,365, which was \$294,480 above the original estimates of \$9,157,885. Final budget basis disbursements were \$9,273,165 which was \$345,227 below the original estimates of \$9,618,392. Actual receipts and disbursements were both within \$800 of final budget amounts.

Debt Administration

Table 3 summarizes the debt outstanding:

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

	2009	2008
Mechanical Pump Room Note	\$192,345	\$236,246
School Improvement Bonds	750,000	900,000
School Improvement Refunding Bonds	1,550,000	1,560,000
Capital Lease	567,000	0
	\$3,059,345	\$2,696,246

During fiscal year 2009, the School District entered into a lease purchase agreement for energy conservation improvements, including building automation systems, replacing boilers, and lighting updates. The goal of this project is to save the School District money by reducing utility costs. These savings are expected to be enough to make the lease payments each fiscal year.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Adam Koch, Treasurer, 6940 Oxford-Gettysburg Road, New Paris, Ohio 45347, or email at ntbo_ak@swoca.net.

National Trail Local School District
Statement of Net Assets - Cash Basis
June 30, 2009

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,104,628
Cash and Cash Equivalents with Fiscal Agent	207,502
<i>Total Assets</i>	2,312,130
Net Assets	
Restricted for:	
Debt Service	427,036
Capital Outlay	521,080
Food Service	54,953
Student Managed Activities	58,106
Title VI-B Grant	12,751
Title I	24,693
Other Purposes	45,534
Unrestricted	1,167,977
<i>Total Net Assets</i>	\$2,312,130

See Accompanying Notes to the Basic Financial Statements

National Trail Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2009

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services	Operating Grants, Interest and Contributions	Capital Grants, Interest and Contributions	Receipts and Changes in Net Assets
Governmental Activities					Governmental Activities
Instruction:					
Regular	\$4,369,330	\$188,264	\$22,608	\$0	(\$4,158,458)
Special	1,276,015	0	580,052	0	(695,963)
Vocational	202,406	0	16,900	0	(185,506)
Adult Continuing	14,736	0	0	0	(14,736)
Support Services:					
Pupils	541,652	0	125,002	0	(416,650)
Instructional Staff	430,233	0	142,561	0	(287,672)
Board of Education	43,469	0	0	0	(43,469)
Administration	738,877	0	0	0	(738,877)
Fiscal	326,112	0	0	0	(326,112)
Operation and Maintenance of Plant	1,227,894	0	7,946	262	(1,219,686)
Pupil Transportation	702,005	0	0	18,748	(683,257)
Central	114,555	0	5,559	0	(108,996)
Operation of Non-Instructional Services	445,250	237,223	216,652	0	8,625
Extracurricular Activities	318,757	183,960	0	0	(134,797)
Principal Retirement	203,901	0	0	0	(203,901)
Interest and Fiscal Charges	143,784	0	0	0	(143,784)
<i>Total Governmental Activities</i>	<u>\$11,098,976</u>	<u>\$609,447</u>	<u>\$1,117,280</u>	<u>\$19,010</u>	<u>(9,353,239)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes					2,094,597
Debt Service					243,115
Other Purposes					43,802
Income Tax					1,909,192
Grants and Entitlements not Restricted to Specific Programs					4,973,490
Investment Earnings					17,923
Gifts and Donations					21,237
Proceeds from Capital Lease					567,000
Proceeds from Sale of Capital Assets					660
Miscellaneous					<u>101,754</u>
<i>Total General Receipts</i>					9,972,770
Extraordinary Item - Insurance Settlement					<u>285,000</u>
<i>Total General Receipts and Extraordinary Item</i>					<u>10,257,770</u>
<i>Change in Net Assets</i>					904,531
<i>Net Assets at Beginning of Year</i>					<u>1,407,599</u>
<i>Net Assets at End of Year</i>					<u><u>\$2,312,130</u></u>

See Accompanying Notes to the Basic Financial Statements

National Trail Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2009

	General	Bond Retirement	Roof Repair	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,136,560	\$427,036	\$285,000	\$237,024	\$2,085,620
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	19,008	0	0	0	19,008
Cash and Cash Equivalents with Fiscal Agent	0	0	0	207,502	207,502
<i>Total Assets</i>	<u>\$1,155,568</u>	<u>\$427,036</u>	<u>\$285,000</u>	<u>\$444,526</u>	<u>\$2,312,130</u>
Fund Balances					
Reserved for Encumbrances	\$147,705	\$0	\$0	\$49,218	\$196,923
Reserved for Bus Purchases	19,008	0	0	0	19,008
Unreserved, Undesignated, Reported in:					
General Fund	988,855	0	0	0	988,855
Special Revenue Funds	0	0	0	178,236	178,236
Debt Service Fund	0	427,036	0	0	427,036
Capital Projects Funds	0	0	285,000	217,072	502,072
<i>Total Fund Balances</i>	<u>\$1,155,568</u>	<u>\$427,036</u>	<u>\$285,000</u>	<u>\$444,526</u>	<u>\$2,312,130</u>

See Accompanying Notes to the Basic Financial Statements

National Trail Local School District
Statement of Cash Receipts, Disbursements and Changes in
Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Bond Retirement	Roof Repair	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$2,094,597	\$243,115	\$0	\$43,802	\$2,381,514
Income Tax	1,909,192	0	0	0	1,909,192
Intergovernmental	5,302,050	37,962	0	769,409	6,109,421
Investment Earnings	17,923	0	0	359	18,282
Tuition and Fees	109,150	0	0	37,684	146,834
Rent	7,770	0	0	0	7,770
Extracurricular Activities	872	0	0	216,748	217,620
Gifts and Donations	10,914	0	0	10,323	21,237
Charges for Services	0	0	0	237,223	237,223
Miscellaneous	98,844	0	0	2,910	101,754
<i>Total Receipts</i>	<u>9,551,312</u>	<u>281,077</u>	<u>0</u>	<u>1,318,458</u>	<u>11,150,847</u>
Disbursements					
Current:					
Instruction:					
Regular	4,272,033	0	0	97,297	4,369,330
Special	1,008,110	0	0	267,905	1,276,015
Vocational	202,180	0	0	226	202,406
Adult Continuing	14,736	0	0	0	14,736
Support Services:					
Pupils	416,933	0	0	124,719	541,652
Instructional Staff	293,203	0	0	137,030	430,233
Board of Education	43,469	0	0	0	43,469
Administration	730,765	6,872	0	1,240	738,877
Fiscal	326,112	0	0	0	326,112
Operation and Maintenance of Plant	824,801	0	0	403,093	1,227,894
Pupil Transportation	702,005	0	0	0	702,005
Central	108,996	0	0	5,559	114,555
Operation of Non-Instructional Services	735	0	0	444,515	445,250
Extracurricular Activities	118,862	0	0	199,895	318,757
Debt Service:					
Principal Retirement	43,901	160,000	0	0	203,901
Interest and Fiscal Charges	18,553	125,231	0	0	143,784
<i>Total Disbursements</i>	<u>9,125,394</u>	<u>292,103</u>	<u>0</u>	<u>1,681,479</u>	<u>11,098,976</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>425,918</u>	<u>(11,026)</u>	<u>0</u>	<u>(363,021)</u>	<u>51,871</u>
Other Financing Sources (Uses)					
Proceeds from Capital Lease	0	0	0	567,000	567,000
Proceeds from Sale of Capital Assets	660	0	0	0	660
Advances In	38,422	0	0	59,153	97,575
Transfer In	0	0	0	29,261	29,261
Advances Out	(59,153)	0	0	(38,422)	(97,575)
Transfer Out	(29,261)	0	0	0	(29,261)
<i>Total Other Financing Sources (Uses)</i>	<u>(49,332)</u>	<u>0</u>	<u>0</u>	<u>616,992</u>	<u>567,660</u>
Extraordinary Item - Insurance Settlement	0	0	285,000	0	285,000
<i>Net Change in Fund Balance</i>	376,586	(11,026)	285,000	253,971	904,531
<i>Fund Balances at Beginning of Year</i>	<u>778,982</u>	<u>438,062</u>	<u>0</u>	<u>190,555</u>	<u>1,407,599</u>
<i>Fund Balances at End of Year</i>	<u>\$1,155,568</u>	<u>\$427,036</u>	<u>\$285,000</u>	<u>\$444,526</u>	<u>\$2,312,130</u>

See Accompanying Notes to the Basic Financial Statements

National Trail Local School District
Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Property Taxes	\$2,081,112	\$2,094,597	\$2,094,597	\$0
Income Tax	1,711,387	1,909,192	1,909,192	0
Intergovernmental	5,246,806	5,281,634	5,281,634	0
Investment Earnings	30,000	17,209	17,923	714
Tuition and Fees	47,530	109,150	109,150	0
Rent	6,500	7,770	7,770	0
Extracurricular Activities	29,190	872	872	0
Gifts and Donations	800	10,914	10,914	0
Miscellaneous	4,560	21,027	21,027	0
<i>Total Receipts</i>	<u>9,157,885</u>	<u>9,452,365</u>	<u>9,453,079</u>	<u>714</u>
Disbursements				
Current:				
Instruction:				
Regular	4,515,109	4,276,820	4,276,694	126
Special	1,041,446	1,008,155	1,008,155	0
Vocational	274,925	202,244	202,244	0
Adult Continuing	14,210	14,736	14,736	0
Support Services:				
Pupils	379,466	417,325	417,325	0
Instructional Staff	360,037	320,186	320,186	0
Board of Education	50,280	67,999	67,999	0
Administration	684,097	736,052	736,052	0
Fiscal	205,742	326,682	326,682	0
Operation and Maintenance of Plant	949,345	878,288	878,288	0
Pupil Transportation	841,895	729,801	729,801	0
Central	118,781	112,826	112,826	0
Operation of Non-Instructional Services	3,850	735	735	0
Extracurricular Activities	126,213	118,862	118,862	0
Debt Service:				
Principal Retirement	43,901	43,901	43,901	0
Interest and Fiscal Charges	9,095	18,553	18,553	0
<i>Total Disbursements</i>	<u>9,618,392</u>	<u>9,273,165</u>	<u>9,273,039</u>	<u>126</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(460,507)</u>	<u>179,200</u>	<u>180,040</u>	<u>840</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Asset	0	660	660	0
Advances In	0	38,422	38,422	0
Advances Out	0	(59,153)	(59,153)	0
Transfers Out	(25,000)	(29,261)	(29,261)	0
Refund of Prior Year Disbursements	25,000	98,233	98,233	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>48,901</u>	<u>48,901</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(460,507)</u>	<u>228,101</u>	<u>228,941</u>	<u>840</u>
<i>Fund Balance at Beginning of Year</i>	647,110	647,110	647,110	0
<i>Prior Year Encumbrances Appropriated</i>	<u>131,872</u>	<u>131,872</u>	<u>131,872</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$318,475</u>	<u>\$1,007,083</u>	<u>\$1,007,923</u>	<u>\$840</u>

See Accompanying Notes to the Basic Financial Statements

National Trail Local School District
Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Funds
June 30, 2009

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$1,101	\$60,681
Liabilities		
Current Liabilities:		
Due to Students	0	\$60,681
Net Assets		
Held in Trust for Scholarships	\$1,101	

See Accompanying Notes to the Basic Financial Statements

National Trail Local School District
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust
Additions	
Miscellaneous	\$435
Deductions	
Miscellaneous	248
<i>Changes in Net Assets</i>	187
<i>Net Assets at Beginning of Year</i>	914
<i>Net Assets at End of Year</i>	\$1,101

See Accompanying Notes to the Basic Financial Statements

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National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

Reporting Entity:

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

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

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

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements:

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

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

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

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

B. Fund Accounting

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

Governmental Funds:

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

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

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

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

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

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Cash received through the lease-purchase agreement is held in a separate bank account by US Bank. The balance in this account is presented on the financial statements as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2009, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

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 2009 was \$17,923, which included \$6,738 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.

F. Interfund Receivables/Payables

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

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Restricted Assets

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

H. 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.

I. Net Assets

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

J. Fund Balance Reserves

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

K. Extraordinary Item

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. During fiscal year 2009, the School District received an insurance settlement resulting from the improper installation of a portion of the roof on the school building. This amount is recorded as an extraordinary item.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 3 - COMPLIANCE

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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	\$376,586
Unrecorded Cash Fiscal Year 2009	60
Adjustment for Encumbrances	<u>(147,705)</u>
Budget Basis	<u><u>\$228,941</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments

As of June 30, 2009 the School District only had investments in STAROhio in the amount of \$2,236. The average maturity of STAROhio is 58.1 days.

Interest Rate Risk:

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

Credit Risk:

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 6 - PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in calendar year 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The School District receives property taxes from Darke and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$101,708,900	90.95%	\$112,042,280	94.42%
Public Utility Personal	7,000,550	6.26%	6,620,800	5.58%
General Business Personal	3,116,912	2.79%	0	0.00%
Total Assessed Value	<u>\$111,826,362</u>	<u>100.00%</u>	<u>\$118,663,080</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$32.98		\$32.98	

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 7 - INCOME TAX

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

NOTE 8 - INTERFUND ADVANCES

At June 30, 2009, the General Fund had an unpaid interfund cash advance, in the amount of \$34,153, 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 \$13,422, for short-term loans made during fiscal year 2008 and \$25,000 for short term loans made during fiscal year 2009.

The General Fund had transfers out to the Other Governmental Funds of \$29,261. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District contracted with Selective Insurance Company of South Carolina for property insurance and Auto Owners Mutual Insurance Company for fleet insurance.

During fiscal year 2009, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 15). The School District contracts their liability insurance through the OSP.

Insurance coverage provided includes the following:

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 9 - RISK MANAGEMENT (continued)

Building and Contents – Replacement Cost (\$1,000 deductible)	\$30,264,183
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Educational General Liability	
Bodily Injury and Property Damage	
Per Occurrence	1,000,000
Sexual Abuse Injury	
Per Occurrence	1,000,000
Personal and Advertising Injury	
Per Occurrence	1,000,000
Fire Damage	
Per Occurrence	500,000
Medical Expense	
Per Person	10,000
Per Occurrence	10,000
General Aggregate Limit	3,000,000
Product Completed Operations Limit	1,000,000
Employers' Liability and Stop Gap Endorsement	
Bodily Injury By Accident	
Per Occurrence	1,000,000
Bodily Injury By Disease	
Per Employee	1,000,000
Aggregate	1,000,000
Employee Benefits Liability	
Per Occurrence	1,000,000
Aggregate Limit	3,000,000
Educational Legal Liability Coverage From	
Errors and Omissions Injury Limit (\$5,000 deductible)	1,000,000
Aggregate	3,000,000
Employment Practices Injury Limit (\$5,000 deductible)	1,000,000
Aggregate	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant changes in coverage from fiscal year 2008.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 9 - RISK MANAGEMENT (continued)

B. Workers' Compensation

For fiscal year 2009, 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 2009, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (Note 15). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all of the Council's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.84 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$100,131, \$105,152, and \$121,326, respectively; the full amount has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

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

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

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

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$551,291, \$562,468, and \$567,774, respectively; the full amount has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2009 are unavailable.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$62,664, \$65,273, and \$63,116, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2009, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$7,199, \$7,576, and \$8,250 respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$42,407, \$43,267, and \$43,675 respectively; 100 percent has been contributed for all three fiscal years.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Life Insurance

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

B. Dental Care

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

C. Vision Care

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

D. 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.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Amount Outstanding 6/30/08	Additions	Deductions	Amount Outstanding 6/30/09	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Mechanical Pump Room Note 2006 3.85%	\$236,246	\$0	\$43,901	\$192,345	\$45,591
General Obligation School Improvement Bonds 1997 5.73%	900,000	0	150,000	750,000	170,000
General Obligation School Improvement Refunding Bonds 2007 3.75 - 5.875%	1,560,000	0	10,000	1,550,000	10,000
Capital Lease	0	567,000	0	567,000	46,000
Total Governmental Activities Long-Term Liabilities	\$2,696,246	\$567,000	\$203,901	\$3,059,345	\$271,591

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Note Payable

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

School Improvement Bonds

On December 1, 1996, the School District issued \$3,509,440 in voted general obligation bonds for the purpose of the construction of a new school building in the School District. The bonds were issued for a 22 year period with final maturity during fiscal year 2019. The debt will be retired from the Bond Retirement Debt Service Fund. During fiscal year 2007, \$1,600,000 of the bonds were refunded, leaving \$1,040,000 of the original issue with a new final maturity during fiscal year 2013.

School Improvement Refunding Bonds

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

The capital lease will be paid from the General Fund.

The School District's overall legal debt margin was \$13,337,506 with an unvoted debt margin of \$117,894 at June 30, 2009.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2009, are as follows:

Fiscal Year Ending June 30,	Mechanical Pump Room Note Principal	Mechanical Pump Room Note Interest	School Improvement Bonds Principal	School Improvement Bonds Interest
2010	\$45,591	\$7,405	\$180,000	\$114,616
2011	47,347	5,650	190,000	103,041
2012	49,169	3,827	200,000	90,826
2013	50,238	1,934	225,000	77,557
2014	0	0	215,000	66,256
2015-2019	0	0	1,290,000	178,364
Total	<u>\$192,345</u>	<u>\$18,816</u>	<u>\$2,300,000</u>	<u>\$630,660</u>

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 14 – CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2009, the School District entered into a lease-purchase agreement with the Columbus Regional Airport Authority for the acquisition, construction and installation of energy conservation improvement. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority has assigned US Bank as trustee. The Columbus Regional Airport Authority deposited \$567,000 with the trustee for the project. Amounts are reimbursed to the School District for disbursements made on work completed. As of June 30, 2009, \$207,502 still remains in the bank account and is recorded as “Cash and Cash Equivalents with Fiscal Agent” on the financial statements.

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, 2009.

Fiscal Year Ending June 30,	Total Payments
2010	\$65,421
2011	67,707
2012	67,886
2013	67,994
2014	68,031
2015-2019	337,364
Total minimum lease payments	674,403
Less: amount representing interest	(107,403)
Present value of minimum lease payments	\$567,000

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

A. Jointly Governed Organizations

Southwest Ohio Computer Association:

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$3,596 for membership and services during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

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

Southwestern Ohio Educational Purchasing Council:

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

Payments to SOEPC are made from the General Fund. During fiscal year 2009, the School District paid \$730 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Southwestern Ohio Instructional Technology Association:

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of 21 representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2009, the School District paid \$854 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

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

B. Insurance Purchasing Pools

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

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

Ohio School Plan:

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

C. Shared Risk Pool

Preble County Schools Regional Council of Governments:

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

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 16 - SET-ASIDE CALCULATIONS

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

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

	Textbooks and Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of		
June 30, 2008	(\$301,399)	\$0
Current Fiscal Year Set-aside Requirement	176,274	176,274
Qualifying Disbursements	0	(43,802)
Current Fiscal Year Offsets	(125,519)	(206,547)
Totals	(\$250,644)	(\$74,075)
Set-aside Balance Carried Forward to		
Future Fiscal Years	(\$250,644)	\$0
Set-aside Reserve Balance as of June 30, 2009	\$0	\$0

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

National Trail Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 17 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

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

NOTE 18 – SIGNIFICANT CONTRACTUAL COMMITMENT

As of June 30, 2009, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/2009</u>
H.E.A.T.	Energy Conservation	\$11,000	\$0	\$11,000
Heapy Engineers	Energy Conservation	462,712	300,203	162,509
Totals		<u>\$473,712</u>	<u>\$300,203</u>	<u>\$173,509</u>

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**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2009	10.555		\$ 44,717		\$ 44,717
Cash Assistance:						
National School Breakfast Program	2009	10.553	\$ 36,980		\$ 36,980	
National School Lunch Program	2009	10.555	<u>130,412</u>		<u>130,412</u>	
Total Child Nutrition Cluster			<u>167,392</u>		<u>167,392</u>	
Total U.S. Department of Agriculture			167,392	44,717	167,392	44,717
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)						
	2009	84.010	136,406		141,858	
	2008				30,395	
Total Grants to Local Educational Agencies (ESEA Title I)			<u>136,406</u>		<u>172,253</u>	
Special Education Cluster:						
Special Education: Grants to States (IDEA Part B)						
	2009	84.027	202,363		200,614	
	2008		10,722		12,491	
	2007				31	
	2006				1,327	
Total Special Education: Grants to States (IDEA Part B)			<u>213,085</u>		<u>214,463</u>	
Special Education: Preschool Grant	2009	84.173	1,390		1,181	
	2008				256	
Total Special Education: Preschool Grant			<u>1,390</u>		<u>1,437</u>	
Total Special Education Cluster			214,475		215,900	
Safe and Drug Free Schools and Communities	2009	84.186	3,663		3,663	
Innovative Education Program Strategy	2009	84.298	1,695		1,695	
Title II-D: Technology Literacy Challenge Grant	2009	84.318	1,571		1,515	
Title II-A: Improving Teacher Quality	2009	84.367	64,824		58,296	
	2007				186	
Total II-A: Improving Teacher Quality			<u>64,824</u>		<u>58,482</u>	
School Improvement Grants	2009	84.377	59,030		52,603	
<i>Total Passed Through Ohio Department of Education</i>			<u>481,664</u>		<u>506,111</u>	
Total U.S. Department of Education			<u>481,664</u>		<u>506,111</u>	
Total			<u>\$ 649,056</u>	<u>\$ 44,717</u>	<u>\$ 673,503</u>	<u>\$ 44,717</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
JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports 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

Program regulations do not require the School District to maintain separate inventory records for purchased food versus commodities it receives from the U.S. Department of Agriculture. The School District reports commodities consumed on the Schedule at the fair market value.

NOTE D - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the National Trail Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 16, 2010, wherein, we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted certain internal control matters that we reported to the School District's management in a separate letter dated February 16, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 16, 2010.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 16, 2010



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of National Trail Local School District, Preble County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, National Trail Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 16, 2010

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2009-001

Noncompliance

Ohio Rev. Code, Section 117.38, provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Revised Code 117.38.

Ohio Admin. Code, Section 117-2-03 (B), requires a School District to prepare its annual financial report in accordance with generally accepted accounting principles. The School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the modified basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements omit certain assets, liabilities, fund equities, and disclosure that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District. We recommend the School District prepare its annual financial report in accordance with generally accepted accounting principles.

Officials' Response:

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

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, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Failure to properly reconcile the payroll account and food service operations	No	Partially corrected - Re-issued as management letter recommendation
2008-002	Ohio Rev. Code Section 149.351(A), failure to maintain proper supporting documentation for student activities	No	Partially corrected – Re-issued as management letter recommendation
2008-003	Ohio Rev. Code Section 5705.10(H), negative fund balances	No	Partially corrected – Re-issued as management letter citation
2008-004	Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles	No	Not corrected – Re-issued as Finding 2009-001
2008-005	Failure to properly monitor estimated resources	Yes	
2008-006	Ohio Rev. Code Section 135.18(A), failure to properly collateralize deposits	Yes	

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 18, 2007.
2. We read the policy, noting it included the following requirements, from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

February 16, 2010



Mary Taylor, CPA
Auditor of State

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 9, 2010**