



Dave Yost • Auditor of State

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis	11
Statement of Activities – Cash Basis	12
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds	13
Statement of Cash Receipts, Disbursements and Changes - In Fund Balances – Cash Basis - Governmental Funds	14
Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual – Budget Basis - General Fund	15
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds	16
Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Funds	17
Notes to the Basic Financial Statements	19
Schedule of Federal Awards Receipts and Expenditures.....	43
Notes to the Schedule Federal Awards Receipts and Expenditures	44
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	45
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and On Internal Control Over Compliance Required by OMB Circular A-133	47
Schedule of Findings.....	49
Schedule of Prior Audit Findings.....	51

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the 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, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of National Trail Local School District, Preble County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

Our audit was conducted to opine on the financial statements taken as a whole.

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2016

This page intentionally left blank.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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, 2015, 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 2015 are as follows:

- The K-8 Ohio Facilities Construction Commission (OFCC) roof repair project was completed during the fiscal year under budget. The School District was able to transfer its remaining balance to a capital projects fund to pay for repairs to sections of the high school roof.
- The School District received increases in funding from the State due to changes in the funding formula as well as an increase in enrollment.
- The assessed value of property in the School District increased significantly as a triannual update was completed by the County Auditor. The main increase was in CAUV values.

Using this Annual Financial Report

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

Report Components

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

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determines when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities – Cash Basis

The Statement of Net Position and the Statement of Activities reflect how the School District did financially during fiscal year 2015, within the limitations of the cash basis of accounting. The Statement of Net Position presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program cash receipts for each governmental program. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program cash receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental program draws from the School District's general receipts.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds, not the School District as a whole. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

Governmental Funds

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

Fiduciary Funds

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2015 compared to fiscal year 2014 on a cash basis:

Table 1			
Net Position			
	2015	2014	Change
Assets			
Current Assets	\$5,435,477	\$4,380,787	\$1,054,690
Net Position			
Restricted	583,760	1,253,754	(669,994)
Unrestricted	4,851,717	3,127,033	1,724,684
<i>Total Net Position</i>	<i>\$5,435,477</i>	<i>\$4,380,787</i>	<i>\$1,054,690</i>

Current assets consisting of cash and cash equivalents increased \$1,054,690.

Restricted net assets decreased during fiscal year 2015. This was due to timing of when donated money from an anonymous donor and OFCC money was received and disbursed. The money was received during fiscal year 2014 but not spent until fiscal year 2015.

Unrestricted Net Position consists mainly of the General Fund which increased Fund Balance by \$1,738,173 due mainly to increases in receipts.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2015 and 2014.

Table 2			
Changes in Net Position			
	2015	2014	Change
Receipts			
Program Receipts:			
Charges for Services	\$762,518	\$894,891	(\$132,373)
Operating Grants, Interest and Contributions	1,370,696	1,294,572	76,124
Capital Grants and Contributions		431,904	(431,904)
Total Program Receipts	2,133,214	2,621,367	(488,153)
General Receipts:			
Property Taxes	3,018,120	2,692,832	325,288
Income Tax	2,222,455	2,122,702	99,753
Grants and Entitlements not Restricted to Specific Programs	5,792,980	5,423,520	369,460
Investment Earnings	7,351	5,913	1,438
Gifts and Donations	3,644	750	2,894
Miscellaneous	137,560	106,112	31,448
Total General Receipts	11,182,110	10,351,829	830,281
Total Receipts	\$13,315,324	\$12,973,196	\$342,128

(Continued)

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Program Disbursements:			
Instruction:			
Regular	\$4,876,817	\$4,677,152	\$199,665
Special	1,352,063	1,408,236	(56,173)
Vocational	124,160	179,427	(55,267)
Adult Continuing	16,086	13,404	2,682
Support Services:			
Pupils	557,448	528,363	29,085
Instructional Staff	316,051	430,667	(114,616)
Board of Education	18,136	80,583	(62,447)
Administration	849,982	826,502	23,480
Fiscal	377,097	392,228	(15,131)
Operation and Maintenance of Plant	1,691,740	1,189,560	502,180
Pupil Transportation	713,118	890,312	(177,194)
Central	55,427	54,611	816
Operation of Non-Instructional Services	476,342	451,593	24,749
Extracurricular Activities	328,955	374,273	(45,318)
Intergovernmental	102,074		102,074
Capital Outlay	54,686	624,962	(570,276)
Principal Retirement	282,000	271,000	11,000
Interest and Fiscal Charges	68,452	79,466	(11,014)
Total Disbursements	<u>12,260,634</u>	<u>12,472,339</u>	<u>(211,705)</u>
Change in Net Position	<u>1,054,690</u>	<u>500,857</u>	<u>\$553,833</u>
Net Position at Beginning of Year	<u>4,380,787</u>	<u>3,879,930</u>	
Net Position at End of Year	<u>\$5,435,477</u>	<u>\$4,380,787</u>	

Governmental Activities

In total, receipts increased three percent due to increases in property taxes and State funding. Property taxes receipts increased due to a triannual update that increased assessed values, in particular CAUV values on farm land, by 28%. Grants and entitlements not restricted to specific programs increased significantly due to increases in the State funding formula as well as an increase in enrollment. Also, the increase in property tax values increased the amount of reimbursements from the State.

The decrease in charges for services was mainly due to the School District receiving tuition from other school districts related to non-resident special education students from prior fiscal years during fiscal year 2014. This was not the case for fiscal year 2015 as all payments were received in the appropriate fiscal year.

The decrease in capital grants and contributions was due to an anonymous donor giving the School District funds for various capital projects during fiscal year 2014 which inflated receipts. These projects included replacing the lights, bleachers, soccer goals, and football field goal posts at the sports complex and resurfacing the high school gym floor as well as a few other smaller purchases. These projects were paid for during fiscal year 2015.

Disbursements decreased slightly by \$211,705, or two percent compared to fiscal year 2014. The major contributor to this decrease was capital outlay disbursements for the OFCC roof repair project that was mostly completed during fiscal year 2014.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The School District's Funds

The School District's major fund is accounted for using the cash basis of accounting and includes the General Fund. All governmental funds had total receipts of \$13,315,324 and total disbursements of \$12,260,634. The General Fund accounts for 88 percent and 82 percent of receipts and disbursements, respectively.

The General Fund had an increase in fund balance of \$1,738,173 for fiscal year 2015. Increases in property taxes and State Foundation receipts were the main causes of the increase in funds balance. In total, receipts increased by \$887,359 from fiscal year 2014.

Disbursements remained constant with fiscal year 2014 actually decreasing by \$96,596. The combination on increased receipts and disbursements not increasing has increased the overall fund balance of the General Fund to \$4,866,812.

Of the committed amount of \$1,078,286 on the Statement of Assets and Fund Balances, \$990,000 is the result of the School District continuing to set-aside money for future capital projects. There are several large projects the School District is anticipating in the future, such as HVAC and roof replacements, on the aging high school side of the facility.

General Fund Budgeting Highlights

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

During the course of fiscal year 2015, the School District revised its budget as it attempted to deal with the unexpected changes in disbursements. A summary of the General Fund's original and final budgeted amounts is listed on page 11, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, the final budget for receipts was not modified, and disbursements were only slightly modified from the original budget. Actual receipts outpaced budgeted receipts due to increases in property taxes, mainly because of an increase in CAUV values, and intergovernmental because of increases from the State. Actual disbursements were lower than budgeted disbursements due to reduction in staff salaries because of replacing experienced staff with less experienced staff.

Debt Administration

Table 3 summarizes the debt outstanding:

Table 3		
Outstanding Debt, at Fiscal Year-end		
Governmental Activities		
	2015	2014
School Improvement Refunding Bonds	\$1,065,000	\$1,290,000
Capital Lease	252,000	309,000
	\$1,317,000	\$1,599,000

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Current Financial Issues and Concerns

The School District was able to increase the General Fund's balance by \$1,738,173 during fiscal year 2015. A portion of this carryover, \$445,000, has been set aside for future capital projects on the high school side of the facility bringing the total to \$990,000. The high school side of the facility was built in 1968 and the HVAC units are still the original units. Also, the high school parking lot needs to be repaved. The School District is planning on setting aside money every fiscal year in hopes of having enough to pay for these projects when they are needed and to build up a reserve for any other unforeseen projects.

The drastic increase in property values, more specifically CAUV values, will have a significant effect on the School District's finances. The School District should see an increase of approximately 28 percent or \$700,000 in additional property tax receipts each fiscal year.

Contacting the School District's Financial Management

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,435,477</u>
Net Position:	
Restricted for:	
Debt Service	\$446,112
Food Service	6,129
Student Managed Activities	36,430
Classroom Facilities Maintenance	39,466
State Grants	3,618
Federal Grants	4,575
Capital Improvements	47,430
Unrestricted	4,851,717
Total Net Position	<u><u>\$5,435,477</u></u>

See Accompanying Notes to the Basic Financial Statements.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Interest and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$4,876,817	\$324,668	\$61,919	(\$4,490,230)
Special	1,352,063	71,970	750,009	(530,084)
Vocational	124,160		15,541	(108,619)
Adult Continuing	16,086			(16,086)
Support Services:				
Pupils	557,448		138,275	(419,173)
Instructional Staff	316,051		61,474	(254,577)
Board of Education	18,136			(18,136)
Administration	849,982			(849,982)
Fiscal	377,097			(377,097)
Operation and Maintenance of Plant	1,691,740		7,561	(1,684,179)
Pupil Transportation	713,118		48,329	(664,789)
Central	55,427			(55,427)
Operation of Non-Instructional Services	476,342	161,227	286,407	(28,708)
Extracurricular Activities	328,955	204,653	1,181	(123,121)
Intergovernmental	102,074			(102,074)
Capital Outlay	54,686			(54,686)
Principal Retirement	282,000			(282,000)
Interest and Fiscal Charges	68,452			(68,452)
Total Governmental Activities	\$12,260,634	\$762,518	\$1,370,696	(10,127,420)
General Receipts:				
Property Taxes Levied for:				
General Purposes				2,740,104
Debt Service				233,500
Other Purposes				44,516
Income Tax				2,222,455
Grants and Entitlements not Restricted to Specific Programs				5,792,980
Investment Earnings				7,351
Gifts and Donations				3,644
Miscellaneous				137,560
Total General Receipts				11,182,110
Change in Net Position				1,054,690
Net Position at Beginning of Year				4,380,787
Net Position at End of Year				\$5,435,477

See Accompanying Notes to the Basic Financial Statements.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	Non-major Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$4,866,812	\$568,665	\$5,435,477
Fund Balances:			
Non-spendable	3,867		3,867
Restricted		583,760	583,760
Committed	1,078,286		1,078,286
Assigned	383,516		383,516
Unassigned (Deficit)	3,401,143	(15,095)	3,386,048
Total Fund Balances	\$4,866,812	\$568,665	\$5,435,477

See Accompanying Notes to the Basic Financial Statements.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:			
Property Taxes	\$2,740,104	\$278,016	\$3,018,120
Income Tax	2,222,455		2,222,455
Intergovernmental	6,239,788	882,469	7,122,257
Investment Earnings	7,274	77	7,351
Tuition and Fees	362,440		362,440
Rent	8,829		8,829
Extracurricular Activities	25,433	204,589	230,022
Gifts and Donations	43,882	1,181	45,063
Charges for Services		161,227	161,227
Miscellaneous	124,952	12,608	137,560
Total Receipts	<u>11,775,157</u>	<u>1,540,167</u>	<u>13,315,324</u>
Disbursements			
Current:			
Instruction:			
Regular	4,846,988	29,829	4,876,817
Special	1,015,777	336,286	1,352,063
Vocational	124,160		124,160
Adult Continuing	16,086		16,086
Support Services:			
Pupils	409,097	148,351	557,448
Instructional Staff	264,718	51,333	316,051
Board of Education	18,136		18,136
Administration	841,880	8,102	849,982
Fiscal	377,097		377,097
Operation and Maintenance of Plant	1,172,207	519,533	1,691,740
Pupil Transportation	713,118		713,118
Central	55,427		55,427
Operation of Non-Instructional Services		476,342	476,342
Extracurricular Activities	114,491	214,464	328,955
Intergovernmental		102,074	102,074
Capital Outlay		54,686	54,686
Debt Service:			
Principal Retirement	57,000	225,000	282,000
Interest and Fiscal Charges	10,996	57,456	68,452
Total Disbursements	<u>10,037,178</u>	<u>2,223,456</u>	<u>12,260,634</u>
Excess of Receipts Over (Under) Disbursements	<u>1,737,979</u>	<u>(683,289)</u>	<u>1,054,690</u>
Other Financing Sources (Uses):			
Advances In	4,000	3,806	7,806
Transfers In		111,488	111,488
Advances Out	(3,806)	(4,000)	(7,806)
Transfers Out		(111,488)	(111,488)
Total Other Financing Sources (Uses)	<u>194</u>	<u>(194)</u>	
Net Change in Fund Balances	1,738,173	(683,483)	1,054,690
Fund Balances at Beginning of Year	<u>3,128,639</u>	<u>1,252,148</u>	<u>4,380,787</u>
Fund Balances at End of Year	<u>\$4,866,812</u>	<u>\$568,665</u>	<u>\$5,435,477</u>

See Accompanying Notes to the Basic Financial Statements.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Property Taxes	\$2,384,673	\$2,384,673	\$2,740,104	\$355,431
Income Tax	2,143,929	2,143,929	2,222,455	78,526
Intergovernmental	5,887,439	5,887,439	6,239,788	352,349
Investment Earnings	200	200	7,274	7,074
Tuition and Fees	418,317	418,317	362,440	(55,877)
Rent	8,000	8,000	8,829	829
Extracurricular Activities	36,600	36,600	25,420	(11,180)
Gifts and Donations	1,000	1,000	43,882	42,882
Miscellaneous	54,417	54,417	90,425	36,008
Total Receipts	10,934,575	10,934,575	11,740,617	806,042
Disbursements				
Current:				
Instruction:				
Regular	4,965,733	5,016,399	4,862,916	153,483
Special	1,213,145	1,184,480	1,024,360	160,120
Vocational	170,100	146,411	124,160	22,251
Adult/Continuing	14,834	16,834	16,086	748
Support Services:				
Pupils	411,500	458,674	439,594	19,080
Instructional Staff	298,809	334,480	296,377	38,103
Board of Education	47,341	49,391	25,546	23,845
Administration	858,616	867,686	848,030	19,656
Fiscal	429,869	387,800	380,490	7,310
Operation and Maintenance of Plant	1,341,374	1,488,931	1,481,859	7,072
Pupil Transportation	810,801	822,536	768,811	53,725
Central	48,819	60,512	57,672	2,840
Operation of Non-Instructional Services				
Extracurricular Activities	138,689	123,225	114,491	8,734
Debt Service:				
Principal Retirement	57,000	57,000	57,000	
Interest and Fiscal Charges	10,996	10,996	10,996	
Total Disbursements	10,817,626	11,025,355	10,508,388	516,967
Excess of Receipts Over (Under) Disbursements	116,949	(90,780)	1,232,229	1,323,009
Other Financing Sources (Uses):				
Refund of Prior Year Disbursements	1,200	1,200	4,135	2,935
Advances In			4,000	4,000
Insurance Recoveries			30,405	30,405
Advances Out		(3,806)	(3,806)	
Transfers Out	(32)	(32)		32
Refund of Prior Year Receipts		(75)	(62)	13
Total Other Financing Sources (Uses)	1,168	(2,713)	34,672	37,385
Net Change in Fund Balances	118,117	(93,493)	1,266,901	1,360,394
Fund Balance Beginning of Year	2,892,822	2,892,822	2,892,822	
Prior Year Encumbrances Appropriated	235,817	235,817	235,817	
Fund Balance End of Year	\$3,246,756	\$3,035,146	\$4,395,540	\$1,360,394

See Accompanying Notes to the Basic Financial Statements.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2015**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$24,827	\$50,725
Net Position:		
Held in Trust for Scholarship	24,827	
Held on Behalf of Students		50,725
Total Net Position	\$24,827	\$50,725

See Accompanying Notes to the Basic Financial Statements.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Donations	\$24,268
Miscellaneous	1,236
Total Additions	<u>25,504</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>8,500</u>
Change in Net Position	17,004
Net Position at Beginning of Year	<u>7,823</u>
Net Position at End of Year	<u><u>\$24,827</u></u>

See Accompanying Notes to the Basic Financial Statements.

This page intentionally left blank.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-wide Financial Statements

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

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

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

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

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.

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
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Funds

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Cash and Investments

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

During fiscal year 2015, the School District's investments were limited to State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share, which is the price the investment could be sold for on June 30, 2015.

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 2015 was \$7,274, which included \$1,187 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. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

G. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources for federal and State grants restricted to cash disbursement for specified purposes.

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance

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

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level of formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Committed fund balance represents amounts set aside for future capital improvements and amounts specifically committed for purchases on order.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

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

I. Interfund Balances

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
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accumulated Leave

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

K. Capital Assets

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

L. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

M. Internal Activity

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

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

3. FUND BALANCES

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

<u>Fund Balances</u>	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Non-spendable:			
Unclaimed Monies	\$3,867		\$3,867
Restricted for:			
Debt Service Payments		\$446,112	446,112
Food Service		6,129	6,129
Student Managed Activities		36,430	36,430
Classroom Facilities Maintenance		39,466	39,466
State Grants		3,618	3,618
Federal Grants		4,575	4,575
Capital Improvements		47,430	47,430
Total Restricted		<u>583,760</u>	<u>583,760</u>

(Continued)

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

3. FUND BALANCES (Continued)

<u>Fund Balances</u>	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Committed to:			
Capital Improvements	990,000		990,000
Legal and Other Contracts	88,286		88,286
Total Committed	<u>1,078,286</u>		<u>1,078,286</u>
Assigned to:			
Purchases on Order	<u>383,516</u>		<u>383,516</u>
Unassigned (Deficit)	<u>3,401,143</u>	<u>(15,095)</u>	<u>3,386,048</u>
Total Fund Balances	<u>\$4,866,812</u>	<u>\$568,665</u>	<u>\$5,435,477</u>

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances treated as cash disbursements (budgetary basis) rather than restricted, committed or assigned fund balance (cash basis).

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

<u>Net Change in Fund Balance</u>	
	<u>General</u>
Cash Basis	<u>\$1,738,173</u>
Adjustment for Encumbrances	<u>(471,272)</u>
Budget Basis	<u>\$1,266,901</u>

5. DEPOSITS AND INVESTMENTS

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

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

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

A. Investments

As of June 30, 2015 the School District had investments in STAROhio in the amount of \$3,433,027. The average maturity of STAROhio is 53.4 days.

B. Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District has no investment policy that addresses interest rate risk beyond State statute requirements. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

C. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014 on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Darke and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015 are available to finance fiscal year 2015 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 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$124,714,630	94.29%	\$161,249,350	95.41%
Public Utility Personal	7,552,960	5.71%	7,752,880	4.59%
Total Assessed Value	<u>\$132,267,590</u>	<u>100.00%</u>	<u>\$169,002,230</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$30.40		\$29.40	

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

7. INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. An additional three-fourths percent was passed and effective January 1, 2011 for an additional five years for general expenses and passed again in May of 2014 for an additional five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds.

8. INTERFUND ACTIVITY

At June 30, 2015, the General Fund had an unpaid interfund cash advance, in the amount of \$3,806, for a short-term loan made to Non-major Governmental Funds. This is expected to be received within one year. The General Fund also received repayments from Non-major Governmental Funds of \$4,000, for short-term loans made during fiscal year 2014.

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 2015, the School District contracted with Liberty Mutual Insurance for property, fleet, and liability insurance.

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

B. Workers' Compensation

For fiscal year 2015, 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 2015, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (see Note 15). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all of the School District's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

B. Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$176,684 for fiscal year 2015.

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

The School District's contractually required contribution to STRS was \$566,660 for fiscal year 2015.

D. Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,595,960	\$9,472,249	\$12,068,209
Proportion of the Net Pension Liability	0.0512940%	0.03894285%	

E. Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$3,703,664	\$2,595,960	\$1,664,286

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

F. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$13,560,557	\$9,472,249	\$6,014,916

11. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$23,684.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$36,175, \$38,911, and \$22,547, respectively. The full amount has been contributed for all three fiscal years.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$39,591, and \$40,648 respectively. The full amount has been contributed for all three fiscal years.

12. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Certain employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. All unused vacation, up to a balance not greater than three years accrual, may be carried forward to the succeeding fiscal year. Sick leave may be accumulated up to a maximum of 232 days for classified employees and 282 days for certified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit at their daily rate upon retirement for classified and certified employees.

B. Life Insurance

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

C. Dental Care

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

D. Vision Care

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. EMPLOYEE BENEFITS (Continued)

E. Deferred Compensation Plan

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

13. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Amount Outstanding 6/30/14	Additions	Deductions	Amount Outstanding 6/30/15	Amounts Due Within One Year
Governmental Activities:					
General Obligation School					
Improvement Refunding Bonds					
2007 3.75 - 5.875%	\$1,290,000		\$225,000	\$1,065,000	\$240,000
Capital Lease	309,000		57,000	252,000	60,000
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,599,000</u>	<u>\$0</u>	<u>\$282,000</u>	<u>\$1,317,000</u>	<u>\$300,000</u>

School Improvement Refunding Bonds

On December 1, 1996, the School District issued \$3,509,440 in voted general obligation bonds for the purpose of the construction of a new school building in the School District. The bonds were issued for a 22 year period with final maturity during fiscal year 2019. During fiscal year 2007, \$1,600,000 of the bonds were refunded. The refunding bonds were issued with variable interest rates between 3.750 and 5.875 percent with final maturity during fiscal year 2019. The debt will be retired from the Bond Retirement Debt Service Fund.

The capital lease will be paid from the General Fund.

The School District's overall legal debt margin was \$14,591,313 with an un-voted debt margin of \$169,002, and an Energy Conservation debt margin of \$1,269,020, at June 30, 2015.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds Principal	School Improvement Bonds Interest
2016	\$240,000	\$48,156
2017	255,000	38,256
2018	265,000	25,537
2019	305,000	8,959
Total	<u>\$1,065,000</u>	<u>\$120,908</u>

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

14. CAPITAL LEASES - LESSEE DISCLOSURE

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

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2015.

Fiscal Year Ending June 30,	Total Payments
2016	\$67,925
2017	67,748
2018	67,499
2019	67,178
Total minimum lease payments	270,350
Less: amount representing interest	(18,350)
Present value of minimum lease payments	\$252,000

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

A. Jointly Governed Organizations

Southwest Ohio Computer Association

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid SWOCA \$26,248 for services provided during the fiscal year. Financial information can be obtained from Donna Davis Norris, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 100 school districts and educational service centers in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services, including dental insurance, commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. Each member district has one voting representative. Title to any and all equipment, furniture, and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made from the General Fund. During fiscal year 2015, the School District paid \$742 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2015, the School District paid \$875 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank Depalma, who serves as Interim Executive Director, at 1205 East Fifth Street, Dayton, Ohio 45402.

Preble County Professional Development Consortium

The School District is a participant in the Preble County Professional Development Consortium (PCPDC). PCPDC is an association of public school districts within the boundaries of Preble County. The organization was formed to improve staff development and instructional functions by making optimum use of public funds through cooperation of member public school districts. The governing board of PCPDC consists of one representative from each district plus one representative from the fiscal agent. The Board exercises total control over the operations of the consortium including budgeting, appropriating, contracting and designation of management. Each school district's degree of control is limited to its representation on the Board. The School District paid PCPDC \$2,477 for services provided during the fiscal year. Financial information can be obtained from Kerry Borger, Treasurer, Preble County Educational Service Center, 597 Hillcrest Drive, Eaton, Ohio 45320 or email at kerry.borger@preblecountyesc.org.

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

C. Shared Risk Pool

Preble County Schools Regional Council of Governments

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

16. SET-ASIDE CALCULATIONS

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

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

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2014	
Current Fiscal Year Set-aside Requirement	\$185,343
Qualifying Disbursements	(351,923)
Current Fiscal Year Offsets	(44,516)
Totals	<u>(\$211,096)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

16. SET-ASIDE CALCULATIONS (Continued)

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

17. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2015 the following funds had deficit fund balances:

<u>Fund Name</u>	<u>Amount</u>
Title VI-B	\$14,932
Title I	163

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

B. Compliance

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

18. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

B. Litigation

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

19. STATE FOUNDATION

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

20. SIGNIFICANT COMMITMENTS

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$471,272
Non-major Governmental Funds	<u>120,187</u>
Total	<u><u>\$591,459</u></u>

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2015	10.555		\$21,940		\$21,940
Cash Assistance:						
School Breakfast Program	2015	10.553	\$56,087		\$56,087	
National School Lunch Program	2015	10.555	200,770		200,770	
Total Child Nutrition Cluster			<u>256,857</u>	<u>21,940</u>	<u>256,857</u>	<u>21,940</u>
Total U.S. Department of Agriculture			<u>256,857</u>	<u>21,940</u>	<u>256,857</u>	<u>21,940</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2015	84.027	207,568		222,503	
	2014	84.027	6,175		6,823	
Total Special Education Grants to States			<u>213,743</u>		<u>229,326</u>	
Special Education - Preschool Grants	2015	84.173	1,207		1,207	
Total Special Education Cluster			<u>214,950</u>		<u>230,533</u>	
Title I Grants to Local Educational Agencies	2015	84.010	241,273		241,430	
	2014	84.010	35,423		35,539	
Total Title I Grants to Local Educational Agencies			<u>276,696</u>		<u>276,969</u>	
Improving Teacher Quality State Grants	2015	84.367	47,400		45,429	
	2014	84.367	5,992		4,642	
Total Improving Teacher Quality State Grants			<u>53,392</u>		<u>50,071</u>	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	2014	84.395	716		462	
Special Education - State Personnel Development	2015	84.323A			1,560	
Total U.S. Department of Education			<u>545,754</u>		<u>559,595</u>	
Total Federal Assistance			<u>\$802,611</u>	<u>\$21,940</u>	<u>\$816,452</u>	<u>\$21,940</u>

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

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of National Trail Local School District, Preble County, (the School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 25, 2016, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2016



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the National Trail Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the National Trail Local School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the National Trail Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2016

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster: School Breakfast Program (CFDA 10.553) National School Lunch Program (CFDA 10.555)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2015-001

Noncompliance

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

Ohio Admin. Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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. As such, we recommend the School District prepare its annual financial report in accordance with generally accepted accounting principles.

Officials' Response

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**NATIONAL TRAIL LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Ohio Rev. Code §117.38 and Ohio Admin. Code §117-2-03(B) , failure to prepare financial statements in accordance with generally accepted accounting principles.	No	Not Corrected; re-issued as Finding 2015-001

This page intentionally left blank.



Dave Yost • Auditor of State

NATIONAL TRAIL LOCAL SCHOOL DISTRICT

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 14, 2016**