



Dave Yost • Auditor of State

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
CLERMONT 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 as of June 30, 2014	13
Statement of Activities – For the Fiscal Year Ended June 30, 2014	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	15
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds.....	17
Statement of Fiduciary Net Position – Fiduciary Funds.....	19
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	20
Notes to the Basic Financial Statements	21
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	46
Notes to Budgetary Schedule	47
Federal Awards Receipts and Expenditures Schedule.....	49
Notes to Federal Awards Receipts and Expenditures Schedule	50
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	53
Schedule of Findings.....	55
Schedule of Prior Audit Findings	57

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INDEPENDENT AUDITOR'S REPORT

Clermont Northeastern Local School District
Clermont County
2792 US50
Batavia, Ohio 45103

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Clermont Northeastern Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Clermont Northeastern Local School District, Clermont County, Ohio, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, the Ohio Department of Education had placed the District in Fiscal Caution as of January 23, 2014. Based on the Five-Year Forecast submitted May 2014, the School District was released from Fiscal Caution on August 18, 2014. This does not affect our opinion on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, and required budgetary comparison schedule listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award 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 relate 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 schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 23, 2015

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**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2014**

This discussion and analysis provides key information from management highlighting the financial performance of the Clermont Northeastern Local School District for the year ended June 30, 2014. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2014 are listed below:

- ✓ The assets of the School District exceeded its liabilities and deferred inflows of resources at year-end by \$10,461,819. Of this amount, \$2,695,327 may be used to meet the School District's ongoing obligations to citizens and creditors.
- ✓ In total, net position increased by \$2,237,552.
- ✓ The School District had \$17,458,342 in expenses related to governmental activities; only \$2,613,816 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$17,082,078, made up primarily of property and income taxes and State Foundation payments provided the majority of funding for these programs.
- ✓ The General Fund balance increased by \$1,859,615 from \$1,167,757 at June 30, 2013 to \$3,027,372 at June 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the School District's assets, liabilities and deferred inflows of resources, with the difference between the three reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating. The statement of activities presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

The governmental activities of the School District include instruction, support services (administration, operation and maintenance of plant), and non-instructional services including extracurricular activities and food services. The School District has no business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole.

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

Notes to the basic financial statements. The notes provide additional information that is essential to understanding the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the General Fund budget.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net position at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2014 and June 30, 2013:

		<u>FY2014</u>	<u>FY2013</u>
Current and other assets	\$	11,064,373	9,787,100
Capital assets		<u>6,600,416</u>	<u>6,482,666</u>
Total assets		<u>17,664,789</u>	<u>16,269,766</u>
Long-term liabilities		776,422	942,569
Other liabilities		<u>1,332,498</u>	<u>1,416,647</u>
Total liabilities		<u>2,108,920</u>	<u>2,359,216</u>
Deferred inflows of resources		<u>5,094,050</u>	<u>5,686,283</u>
Net position:			
Net investment in capital assets		6,448,592	6,165,610
Restricted:			
For debt service		654,937	1,041,588
Other purposes		290,392	145,679
Capital projects		372,571	76,005
Unrestricted		<u>2,695,327</u>	<u>795,385</u>
Total net position	\$	<u><u>10,461,819</u></u>	<u><u>8,224,267</u></u>

Total assets increased from the prior year by approximately \$1.4 million. Current and other assets increased primarily due to increases in cash and investments, as the School District's change in net position increased by \$2.2 million.

In fiscal year 2011, the School District approved moving inside millage to the permanent improvement fund to finance its capital improvement plan to update several school facilities. During fiscal year 2014, the School District continued work on its plan, which led to the increases in capital assets, including completion of the high school restrooms project.

Total liabilities decreased by approximately \$250,000 as the School District continued to make its annual required payment on its outstanding general obligation bonds. The School District is scheduled to make its final debt service payment on December 1, 2014. Deferred inflows of resources decreased by \$592,000, primarily due to winding down collection of the bond retirement property tax levy.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

B. Governmental Activities

The following table presents a condensed summary of the School District's governmental activities during fiscal year 2014 and 2013 and the resulting change in net position:

	<u>FY2014</u>	<u>FY2013</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 1,333,079	1,219,885
Operating grants and contributions	<u>1,280,737</u>	<u>1,309,952</u>
Total program revenues	<u>2,613,816</u>	<u>2,529,837</u>
General revenues:		
Property taxes	7,017,365	6,484,434
Income taxes	2,869,824	2,932,843
Grants and entitlements	6,595,114	6,153,831
Investment earnings	803	4,342
Miscellaneous	<u>598,972</u>	<u>311,461</u>
Total general revenues	<u>17,082,078</u>	<u>15,886,911</u>
Total revenues	<u>19,695,894</u>	<u>18,416,748</u>
Expenses:		
Instruction	10,103,196	9,462,597
Support services:		
Pupil	678,050	722,001
Instructional staff	69,272	683,032
Board of Education	52,220	76,159
Administration	955,012	1,000,933
Fiscal	501,285	535,042
Business	56,168	55,922
Operation and maintenance of plant	1,309,842	1,142,144
Pupil transportation	1,865,848	1,978,498
Central	221,712	247,874
Non-instructional services	497,417	466,115
Interest and fiscal charges	351,300	334,822
Food services	<u>797,020</u>	<u>774,933</u>
Total expenses	<u>17,458,342</u>	<u>17,480,072</u>
Change in net position	\$ <u>2,237,552</u>	<u>936,676</u>

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

Of the total governmental activities revenues of \$19,695,894, \$2,613,816 (13%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 58% (\$9,887,189) comes from property and income taxes and 39% (\$6,595,114) is from state funding. The School District's operations are reliant upon its property and income taxes and the state's foundation program.

Total revenues increased by approximately \$1.3 million. Property taxes increased by approximately \$533,000 due to a County real estate reappraisal. The School District also experienced increases in grants and entitlements due to the passage of State House Bill 59, which increased school funding to the School District by 6%. The School District reduced its expenses by approximately \$22,000 as a result of its continued cost cutting and containment measures employed to address economic and revenue uncertainties it had been experiencing that led to the School District being placed under fiscal caution during the fiscal year (see Note 19).

Governmental Activities

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 15% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$10,103,196 but program revenue contributed to fund 14% of those costs. Thus, general revenues of \$8,653,582 were used to support of remainder of the instruction costs.

Governmental Activities

		Total Cost of Services	Program Revenue	Revenues as a % of Total Costs	Net Cost of Services
Instruction	\$	10,103,196	1,449,614	14%	8,653,582
Support services		5,709,409	111,208	2%	5,598,201
Non-instructional services		497,417	239,529	48%	257,888
Food services		797,020	813,465	102%	(16,445)
Interest and fiscal charges		351,300	-	0%	351,300
Total	\$	<u>17,458,342</u>	<u>2,613,816</u>	<u>15%</u>	<u>14,844,526</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The School District only major fund is the General Fund, with assets comprising 81% (\$9,008,965) of the total governmental funds' assets.

General Fund. Fund balance at June 30, 2014 was \$3,027,372, which represents growth in fund balance from the prior year of approximately \$1.9 million. This increase in fund balance was due to increases in property taxes, intergovernmental revenue and cost cuts and containment measures previously discussed.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results are included in the required supplementary information. During fiscal year 2014, the School District amended its General Fund budget with Clermont County as changes occurred in School District revenues and expenditures. The changes between the original and final budgeted revenue were due to learning about the increases in state school funding under House Bill 59. The changes between the original and final budgeted expenditures were due to conservative budgeting and were reduced as actual results came in. With the increases in revenue and cost containment measures, the School District was able to increase its budgetary fund balance by approximately \$854,000.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2014, the School District had invested in a broad range of capital assets, including land, buildings, equipment, vehicles, and construction in progress. See Note 4 to the financial statements for more detail.

**Capital Assets at Year-End
(Net of Depreciation)**

		<u>FY2014</u>	<u>FY2013</u>
Land	\$	2,024,809	2,024,809
Construction in progress		-	37,027
Land improvements		1,595,287	1,570,479
Buildings and improvements		10,957,742	10,486,226
Furniture and equipment		3,346,815	3,321,922
Vehicles		113,982	113,982
Less: Accumulated depreciation		<u>(11,438,219)</u>	<u>(11,071,779)</u>
Total	\$	<u>6,600,416</u>	<u>6,482,666</u>

Debt. The School District did not issue any debt during the year ended June 30, 2014. However, the School District retired \$165,232 of general obligation bonds and has \$151,824 outstanding at June 30, 2014. This balance matures on December 1, 2014. See Note 10 to the financial statements.

ECONOMIC FACTORS

The School District, like all other taxing entities in the State of Ohio, continues to face the uncertainty of the economy. The School District's operating revenue is composed primarily of property taxes and a local income tax. With a weak economy, many of the School District's citizens have either lost their jobs and are unemployed or have had to take lesser paying jobs. Income tax revenues are slowly recovering from their previous levels.

As for expenses, the School District faces continued significant increases in the cost of health care for its employees. The School District also faces an increasing number of children requiring special education and services and these charges also are increasing by double digits each year. The School District is facing these challenges by making drastic cuts to its budget and services offered. However, we will soon reach a point where no further cuts can be made and we will have to go to the electorate and ask for more taxes to be levied to finance operations of the School District.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and 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 the Treasurer's office at the Clermont Northeastern Local School District, 2792 US Route 50, Batavia, Ohio 45103.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 3,054,914
Receivables:	
Taxes	7,955,944
Accounts	21,634
Supplies inventory	31,881
Nondepreciable capital assets	2,024,809
Depreciable capital assets, net	<u>4,575,607</u>
Total assets	<u>17,664,789</u>
Liabilities:	
Accounts payable	47,234
Accrued wages and benefits	1,041,910
Pension obligation payable	212,673
Accrued interest payable	30,681
Noncurrent liabilities:	
Due within one year	232,026
Due within more than one year	<u>544,396</u>
Total liabilities	<u>2,108,920</u>
Deferred Inflows of Resources:	
Taxes levied for next fiscal year	<u>5,094,050</u>
Net Position:	
Net investment in capital assets	6,448,592
Restricted for:	
Debt service	654,937
Other purposes	290,392
Capital projects	372,571
Unrestricted	<u>2,695,327</u>
Total net position	<u>\$ 10,461,819</u>

See accompanying notes to the basic financial statements.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2014

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
		and Sales	Contributions	Net Position
	Expenses			Governmental
				Activities
Governmental Activities:				
Instruction:				
Regular	\$ 6,940,588	785,634	8,868	\$ (6,146,086)
Special education	2,720,337	-	583,096	(2,137,241)
Other	442,271	-	72,016	(370,255)
Support services:				
Pupil	678,050	-	2,207	(675,843)
Instructional staff	69,272	-	15,375	(53,897)
Board of Education	52,220	-	-	(52,220)
Administration	955,012	-	8,493	(946,519)
Fiscal	501,285	-	-	(501,285)
Business	56,168	-	-	(56,168)
Operation and				
maintenance of plant	1,309,842	-	-	(1,309,842)
Pupil transportation	1,865,848	3,153	301	(1,862,394)
Central	221,712	80,772	907	(140,033)
Non-instructional services:				
Extracurricular activities	401,501	100,906	-	(300,595)
Community service	95,916	-	138,623	42,707
Food service	797,020	362,614	450,851	16,445
Interest on long-term debt	351,300	-	-	(351,300)
	\$ <u>17,458,342</u>	<u>1,333,079</u>	<u>1,280,737</u>	<u>(14,844,526)</u>
General Revenues:				
Property taxes, levied for general purposes				6,115,565
Property taxes, levied for debt services				106,334
Property taxes, levied for permanent improvement				795,466
Income taxes				2,869,824
Grants and entitlements not restricted to specific programs				6,595,114
Investment earnings				803
Miscellaneous				598,972
Total general revenues				<u>17,082,078</u>
Change in net position				2,237,552
Net position beginning of year				<u>8,224,267</u>
Net position end of year				\$ <u><u>10,461,819</u></u>

See accompanying notes to the basic financial statements.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 1,804,491	1,250,423	3,054,914
Receivables:			
Taxes	7,183,203	772,741	7,955,944
Accounts	21,271	363	21,634
Materials and supplies inventory	-	31,881	31,881
Total assets	9,008,965	2,055,408	11,064,373
Liabilities:			
Accounts payable	39,961	7,273	47,234
Accrued wages and benefits	917,805	124,105	1,041,910
Pension obligation payable	169,991	42,682	212,673
Total liabilities	1,127,757	174,060	1,301,817
Deferred Inflows of Resources:			
Taxes levied for next fiscal year	4,494,249	599,801	5,094,050
Unavailable revenue	359,587	19,940	379,527
Total deferred inflows of resources	4,853,836	619,741	5,473,577
Fund Balances:			
Nonspendable	-	31,881	31,881
Restricted	-	1,296,760	1,296,760
Committed	525,808	-	525,808
Assigned	1,089,329	-	1,089,329
Unassigned	1,412,235	(67,034)	1,345,201
Total fund balances	3,027,372	1,261,607	4,288,979
Total liabilities, deferred inflows of resources and fund balances	\$ 9,008,965	2,055,408	11,064,373

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014

Total Governmental Fund Balances	\$	4,288,979
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,600,416
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		379,527
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	151,824	
Compensated absences	624,598	
Accrued interest payable	<u>30,681</u>	<u>(807,103)</u>
Net Position of Governmental Activities	\$	<u><u>10,461,819</u></u>

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 9,017,656	917,419	9,935,075
Tuition and fees	710,312	-	710,312
Charges for services	-	362,614	362,614
Interest	803	-	803
Intergovernmental	6,462,514	1,413,337	7,875,851
Other local revenues	688,661	170,464	859,125
Total revenues	16,879,946	2,863,834	19,743,780
Expenditures:			
Current:			
Instruction:			
Regular	6,773,135	11,919	6,785,054
Special education	2,110,377	578,017	2,688,394
Other	367,747	69,800	437,547
Support services:			
Pupil	660,246	1,911	662,157
Instructional staff	35,847	15,723	51,570
Board of Education	52,220	-	52,220
Administration	914,148	9,779	923,927
Fiscal	470,678	17,935	488,613
Business	56,168	-	56,168
Operation and maintenance of plant	1,144,585	599,937	1,744,522
Pupil transportation	1,763,423	60,323	1,823,746
Central	145,580	76,132	221,712
Non-instructional services:			
Extracurricular activities	19,517	380,792	400,309
Community service	-	95,916	95,916
Food service	-	793,852	793,852
Debt Service:			
Principal	-	165,232	165,232
Interest and fiscal charges	-	349,768	349,768
Total expenditures	14,513,671	3,227,036	17,740,707
Excess of revenues over (under) expenditures	2,366,275	(363,202)	2,003,073
Other financing sources (uses):			
Transfers in	-	506,660	506,660
Transfers out	(506,660)	-	(506,660)
Total other financing sources (uses):	(506,660)	506,660	-
Net change in fund balance	1,859,615	143,458	2,003,073
Fund balance, beginning of year	1,167,757	1,118,149	2,285,906
Fund balance, end of year	\$ 3,027,372	1,261,607	4,288,979

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$	2,003,073
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay		484,190
Depreciation expense		(366,440)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		165,232
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		(1,532)
<p>Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		915
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		<u>(47,886)</u>
Change in Net Position of Governmental Activities	\$	<u>2,237,552</u>

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

		Private Purpose Trusts	Agency Funds
ASSETS			
Equity in pooled cash and investments	\$	<u>78,750</u>	<u>19,189</u>
Total assets		<u><u>78,750</u></u>	<u><u>19,189</u></u>
LIABILITIES			
Accounts payable		3,300	-
Due to student groups		<u>-</u>	<u>19,189</u>
Total liabilities		<u><u>3,300</u></u>	<u><u>19,189</u></u>
NET POSITION			
Held in trust	\$	<u><u>75,450</u></u>	

See accompanying notes to the basic financial statements.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

		Private- Purpose Trusts
Additions:		
Contributions	\$	<u>26,779</u>
Total additions		<u>26,779</u>
Deductions:		
Community gifts, awards and scholarships		<u>17,216</u>
Total deductions		<u>17,216</u>
Change in net position		9,563
Net position, beginning of year		<u>65,887</u>
Net position, end of year	\$	<u><u>75,450</u></u>

See accompanying notes to the basic financial statements.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Clermont Northeastern Local School District (the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Reporting Entity

Clermont Northeastern Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services to approximately 1,400 students and community members as authorized by state statute and/or federal guidelines. The School District was established in 1958 through the consolidation of existing school districts. The School District serves an area of approximately 84 square miles, is located in Clermont County, and includes all of the Villages of Owensville, Newtonsville, Marathon, Perintown, and Monterey.

Included within the reporting entity is a parochial school located within the School District boundaries. St. Louis Elementary is operated through the Cincinnati Catholic Archdiocese but current State legislation provides funding to this parochial school. This money is received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity related to this funding is reflected in a special revenue fund for financial reporting purposes.

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the School District. This includes general operations, food service, and student related activities of the School District.

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

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

The School District is associated with four organizations, two of which are defined as jointly governed organizations and two are insurance purchasing pools. These organizations include Hamilton Clermont Cooperative Association, the Great Oaks Institute of Technology and Career Development, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Clermont County Health Trust. These organizations are presented in Notes 13 and 14 to the basic financial statements.

B. Basis of Presentation

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 financials activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

C. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the categories governmental and fiduciary.

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, liabilities and deferred inflows of resources is reported as fund balance. The School District's only major governmental fund is:

General Fund - The general fund 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.

Fiduciary Funds report on net position and changes in net position. The School District's fiduciary funds consist of a private-purpose trust fund and agency funds. The School District's only private-purpose trust fund accounts for scholarship programs for students. These assets are not available for the School District's use. Agency funds, used to account for student activities, are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made. The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, and grants.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable except for unmatured principal and interest on general long-term debt as well as expenditures related to compensated absences which are recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, fiduciary funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues - Exchange and Non-exchange transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Inflows of Resources. In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Receivables for property taxes represent amounts that are measurable as of June 30, 2014, but are intended to finance 2015 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year-end).

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

E. Cash and Investments

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements. During fiscal year 2014, the School District's investments included STAR Ohio, negotiable certificates of deposit, and money market funds.

STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement. At June 30, 2014, the fair value of investments approximates cost.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those funds individually authorized by Board resolution. Interest is allocated to these funds based on average monthly cash balance.

F. Supplies Inventory

All inventories are valued at cost determined on a first-in, first-out basis. Inventory in governmental funds are recorded as expenditures in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and building improvements	50 years
Land improvements	15 years
Equipment and furniture other than vehicles	3-20 years
Vehicles	10 years

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

J. 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:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a 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 a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those 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 balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

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.

K. Net Position

Net position represents the difference between assets, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its 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.

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

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. DEPOSITS AND INVESTMENTS

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

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

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

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

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.

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

Interim monies are permitted to 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. At year-end, \$88,485 of the School District's bank balance of \$414,228 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments

The School District's investments at June 30, 2014 are as summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity Years</u>	<u>Concentration of Credit Risk</u>
CD's	\$ 500,000	2.31	17.5%
STAR Ohio	1,624,710	n/a	57.0%
US Money Market Funds	<u>727,532</u>	n/a	25.5%
	<u>\$ 2,852,242</u>		

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

Credit Risk

It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The School District's investment in STAR Ohio was rated AAAM by Standard & Poor's.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a counter party, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment securities are registered in the name of the School District.

Interest Rate Risk

In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years.

3. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District 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 distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of the prior January 1, 2013, the lien date. Assessed values for real property taxes are established by State law 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 taxes revenue received in calendar year 2014 represent collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013 and are collected in calendar year 2014 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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

The School District receives property taxes from Clermont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014 are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes, which became measurable as of June 30, 2014. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2014 was \$1,120,200 in the General Fund and \$153,000 in the Permanent Improvement Fund.

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

	<u>2013 Second- Half Collections</u>		<u>2014 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 268,214,340	97.19%	270,233,990	96.99%
Public Utility and Tangible Personal Property	<u>7,757,910</u>	2.81%	<u>8,388,000</u>	3.01%
Total Assessed Value	\$ <u>275,972,250</u>	100.00%	<u>278,621,990</u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$35.00		\$33.50

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance 7/1/13	Additions	Disposals	Balance 6/30/14
<i>Governmental Activities</i>				
Nondepreciable:				
Land	\$ 2,024,809	-	-	2,024,809
Construction in progress	37,027	-	(37,027)	-
Subtotal	<u>2,061,836</u>	<u>-</u>	<u>(37,027)</u>	<u>2,024,809</u>
Depreciable:				
Land improvements	1,570,479	24,808	-	1,595,287
Buildings and improvements	10,486,226	471,516	-	10,957,742
Equipment and furniture	3,321,922	24,893	-	3,346,815
Vehicles	113,982	-	-	113,982
Subtotal	<u>15,492,609</u>	<u>521,217</u>	<u>-</u>	<u>16,013,826</u>
Totals at historical cost	<u>17,554,445</u>	<u>521,217</u>	<u>(37,027)</u>	<u>18,038,635</u>
Less accumulated depreciation:				
Land improvements	1,212,370	51,855	-	1,264,225
Buildings and improvements	6,781,743	231,442	-	7,013,185
Equipment and furniture	3,047,708	68,895	-	3,116,603
Vehicles	29,958	14,248	-	44,206
Total accumulated depreciation	<u>11,071,779</u>	<u>366,440</u>	<u>-</u>	<u>11,438,219</u>
Capital assets, net	<u>\$ 6,482,666</u>	<u>154,777</u>	<u>(37,027)</u>	<u>6,600,416</u>

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 168,835
Special education	31,943
Other	4,724
Support services:	
Pupil	15,893
Instructional staff	17,702
Administration	31,085
Fiscal	12,672
Operation and maintenance of plant	37,124
Pupil transportation	42,102
Extracurricular activities	1,192
Food service	<u>3,168</u>
Total depreciation expense	<u>\$ 366,440</u>

5. INTERFUND TRANSACTIONS

During the year ended June 30, 2014, the General Fund made transfers of \$506,660 to Other Governmental Funds. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with commercial carriers for property and fleet insurance, liability insurance and inland marine coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage in the last year.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

For fiscal year 2014, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

For fiscal year 2014, the School District participated in the Clermont County Health Trust (the Trust), a group insurance purchasing pool (Note 14), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

7. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately \$223,000, \$237,000, and \$241,000, respectively, which equaled the required contributions each year.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a state-wide, cost-sharing multiple-employer public employee retirement system for licensed teachers and other faculty members employed by the School District. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report can be obtained on the STRS' website at www.strsoh.org under Funding.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

DC Plan Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For Combined Plan Benefits, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

Contribution requirements and the contributions actually made for fiscal year ended June 30, 2014 were 11% of covered payroll for members and 14% for employers. The School District's required contributions for the years ended June 30, 2014, 2013, and 2012 were approximately \$862,000, \$919,000, and \$993,000, respectively; 85% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012. The unpaid contribution for fiscal year 2014 is recorded as a liability.

Social Security System

All employees not otherwise covered by SERS or STRS have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. Members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

8. POSTEMPLOYMENT BENEFITS

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

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fee, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for years ended June 30, 2014, 2013, and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contributions to STRS Ohio allocated to post-employment health care for the years June 30, 2014, 2013, and 2012 were approximately \$62,000, \$66,000, and \$71,000, respectively, respectively; 85% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

SERS administers two postemployment benefit plans:

Medicare B Plan - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76%. The School District contributions for the years ended June 30, 2014, 2013, and 2012 were \$12,000, \$13,000, and \$13,000, respectively, which equaled the required contributions for each year.

Health Care Plan - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation was 0.14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$2,000, \$3,000, and \$9,000, respectively, which equaled the required contributions each year.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

9. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of 1.25 days per month. Sick leave may be accumulated up to maximum of 250 days for all employees and administrators. Upon retirement, payment is made for 30% of the employee's accumulated sick leave up to a maximum of 60 days for teachers and administrators, and 45 for classified employees.

10. LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Principal Outstanding 7/1/13	Additions	Reductions	Principal Outstanding 6/30/14	Due Within One Year
General obligation bonds \$	317,056	-	165,232	151,824	151,824
Compensated absences	625,513	83,839	84,754	624,598	80,202
Total	\$ 942,569	83,839	249,986	776,422	232,026

Capital Improvement General Obligation Bonds Payable – In 1992, the School District issued \$6,045,000 in voted general obligations bonds for the purpose of classroom additions and improvements to the existing three school buildings. In fiscal 2002, the School District issued \$4,960,000 of general obligation bonds for the purpose of a current refunding of the 1992 bonds. The outstanding bonds of \$151,824 as of June 30, 2014 and interest due of \$368,176 will mature on December 1, 2014.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid from the fund from which the employees' salaries are paid. The School District's voted legal debt margin was \$24,924,155 with an unvoted debt margin of \$278,622 at June 30, 2014.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

11. FUND BALANCES

Fund balance is classified as nonspendable, 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 governmental funds. The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>			
Inventory	\$ -	31,881	31,881
<i>Restricted for</i>			
Food Service Operations	-	1,531	1,531
Athletics	-	64,268	64,268
Auxillary Schools	-	59,345	59,345
State Grant Programs	-	131,447	131,447
Federal Grant Programs	-	1,920	1,920
Debt Service Payments	-	685,618	685,618
Capital Improvements	-	352,631	352,631
<i>Total Restricted</i>	<u>-</u>	<u>1,296,760</u>	<u>1,296,760</u>
<i>Committed to</i>			
Termination Benefits	525,808	-	525,808
<i>Assigned to</i>			
Public School Support	47,405	-	47,405
Encumbrances	59,879	-	59,879
Budget Resource	982,045	-	982,045
<i>Total Assigned</i>	<u>1,089,329</u>	<u>-</u>	<u>1,089,329</u>
<i>Unassigned (Deficit)</i>	<u>1,412,235</u>	<u>(67,034)</u>	<u>1,345,201</u>
<i>Total Fund Balance</i>	\$ <u><u>3,027,372</u></u>	<u><u>1,261,607</u></u>	<u><u>4,288,979</u></u>

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

12. FUND BALANCE DEFICITS

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

Other Governmental Funds:	
Special Education Fund	\$ 43,324
Title I, Part A Fund	11,697
Improving Teacher Quality Fund	12,013

The deficit fund balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

13. JOINTLY GOVERNED ORGANIZATIONS

The Hamilton/Clermont Cooperative Association

The School District is a participant in a two-county consortium of school districts that operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education. 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 districts. The Board of H/CCA consists of one representative from each of the participating members. Financial statements for H/CCA can be obtained at its administrative offices at 7615 Harrison Avenue, Cincinnati 45231.

The Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for Great Oaks. For financial information, write to Great Oaks at 3254 East Kemper Road, Cincinnati, Ohio 45241.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

14. INSURANCE PURCHASING POOLS

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

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

The Clermont County Health Trust

The Clermont County Health Trust (the Trust), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. The School District pays premiums to a third party administrator which in turns buys the insurance policies from various insurance companies. Upon termination, the School District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The School District may terminate participation in the Trust for the benefit of its employees upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained from the Clermont County Health Trust at P. O. Box 526, Middletown, Ohio 45042.

15. CONTINGENCIES

Federal and State Funding

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

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

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

16. REQUIRED SET-ASIDES

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

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

		Capital Improvements
Set-aside reserve balance June 30, 2013	\$	-
Current year set-aside requirement		271,349
Current year offsets		(754,532)
Current year qualifying expenditures		(48,506)
Excess qualified expenditures from prior years		<u>-</u>
Total		<u><u>(531,689)</u></u>
Set-aside reserve balance June 30, 2014	\$	<u><u>-</u></u>

17. INCOME TAXES

As approved by voters, the School District levies a 1% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2014, the School District recorded income tax revenue of \$2,869,824 in the entity-wide financials and a receivable as of June 30, 2014 of \$1,402,380.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

18. CHANGE IN ACCOUNTING PRINCIPLES

The School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses/expenditures) or inflows of resources (revenues). GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. GASB Statement No. 70 provides consistent reporting and disclosure requirements by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees.

The implementation of GASB Statements No. 66 and No. 70 did not have an effect on the financial statements of the School District. The implementation of GASB Statement No. 65 required the reclassification of deferred revenues to deferred inflows of resources and the recognition of unamortized bond issuance costs as outflows of resources (expenses).

In addition, GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*, has been issued by the GASB but is not required to be implemented by the School District until fiscal year 2015. Management has not yet determined the impact of this new standard will have on the School District's financial statements.

19. FISCAL CAUTION

On January 23, 2014, the Ohio Department of Education (ODE) placed the Clermont Northeastern Local School District in a state of Fiscal Caution. This was based upon the submitted October 2013 Five-Year Forecast and an independent review and analysis by the ODE monitor.

In the Five-Year Forecast submitted in May 2014, the School District was able to demonstrate the expenditure reductions and revenue enhancements enacted and implemented have eliminated the deficit in the current fiscal year and should eliminate potential deficits in the next fiscal years. Based on this forecast and ODE's financial analysis, the School District was released from Fiscal Caution on August 18, 2014.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund
 Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 General Fund
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 9,070,943	8,570,419	8,744,878	174,459
Tuition and fees	245,000	686,645	686,645	-
Interest	68	797	797	-
Intergovernmental	5,145,738	6,459,160	6,459,160	-
Other local revenues	731,513	607,973	607,973	-
Total revenues	<u>15,193,262</u>	<u>16,324,994</u>	<u>16,499,453</u>	<u>174,459</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,440,394	6,714,372	6,714,372	-
Special education	2,723,921	2,106,407	2,106,407	-
Other instruction	-	112,597	112,597	-
Support services:				
Pupil	2,386,753	664,572	664,572	-
Instructional staff	143,782	74,655	74,655	-
Board of Education	2,500	53,684	53,684	-
Administration	205,200	930,077	930,077	-
Fiscal	200,000	478,117	478,117	-
Business	41,600	56,168	56,168	-
Operation and maintenance of plant	513,677	1,197,511	1,197,511	-
Pupil transportation	2,085,479	1,754,295	1,754,295	-
Central	-	93,348	93,348	-
Non-instructional services:				
Extracurricular activities	29,719	12,867	12,867	-
Total expenditures	<u>14,773,025</u>	<u>14,248,670</u>	<u>14,248,670</u>	<u>-</u>
Excess of revenues over expenditures	420,237	2,076,324	2,250,783	174,459
Other financing uses:				
Transfers out	(509,409)	(1,397,036)	(1,397,036)	-
Total other financing uses	<u>(509,409)</u>	<u>(1,397,036)</u>	<u>(1,397,036)</u>	<u>-</u>
Change in fund balance	(89,172)	679,288	853,747	174,459
Fund balance, beginning of year	(58,611)	(58,611)	(58,611)	
Prior year encumbrances appropriated	99,350	99,350	99,350	
Fund balance, end of year	\$ <u>(48,433)</u>	<u>720,027</u>	<u>894,486</u>	

See accompanying notes to required supplementary information.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2014

Note A Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as an expenditure when liquidated (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

		<u>General</u>
Net change in fund balance - GAAP Basis	\$	1,859,615
Increase / (decrease):		
Due to inclusion of the Preschool Fund		(197,914)
Due to inclusion of the Termination Benefits Fund		(364,293)
Due to inclusion of the Public School Support Fund		(3,470)
Due to revenues		(272,900)
Due to expenditures		(54,251)
Due to other sources (uses)		(19,376)
Due to encumbrances		<u>(93,664)</u>
Net change in fund balance - Budget Basis	\$	<u><u>853,747</u></u>

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**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
National School Breakfast Program	3L70	10.553	\$119,049		\$119,049	
National School Lunch Program	3L60	10.555	287,813	\$48,658	287,813	\$48,658
Total Nutrition Cluster			<u>406,862</u>	<u>48,658</u>	<u>406,862</u>	<u>48,658</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
IDEA Part B	3M20	84.027	347,695		347,695	
Early Childhood	3C50	84.173	5,056		5,056	
Total Special Education Cluster			<u>352,751</u>		<u>352,751</u>	
Title I Cluster:						
ESEA Title I	3M00	84.010	257,582		245,448	
Total Title I Cluster			<u>257,582</u>		<u>245,448</u>	
Improving Teacher Quality	3Y60	84.367	74,711		77,579	
ARRA Race to the Top	3FD0	84.395	3,500		-	
<i>Passed through Great Oaks Institute of Technology</i>						
Vocational Education Basic Grants to States						
Career Education		84.048	5,712		4,632	
Total U.S. Department of Education			<u>694,256</u>		<u>680,410</u>	
Total			<u><u>\$1,101,118</u></u>	<u><u>\$48,658</u></u>	<u><u>\$1,087,272</u></u>	<u><u>\$48,658</u></u>

The accompanying notes are an integral part of this schedule.

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Clermont Northeastern Local School District
Clermont County
2792 US 50
Batavia, Ohio 45103

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clermont Northeastern Local School District, Clermont County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 23, 2015, wherein we noted the Ohio Department of Education removed the District from Fiscal Caution as of August 18, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

February 23, 2015



Dave Yost • Auditor of State

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

Clermont Northeastern Local School District
Clermont County
2792 US 50
Batavia, Ohio 45103

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Clermont Northeastern Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Clermont Northeastern Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Clermont Northeastern Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

February 23, 2015

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<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):	Nutrition Cluster, CFDA #10.553, 10.555 Special Education Cluster, CFDA #84.027 and 84.173
<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?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	OAC Section 117-2-02(A) – The District failed to accurately post and report homestead and rollback transactions .	Partially	Reported in 2014 Management Letter
2013-002	ORC 5705.10(H) – The District Permanent Improvement Fund had a negative cash fund balance at year end.	Yes	
2013-003	ORC 5705.41(D)(1) – The District did not encumber 13.6% of the transactions tested properly.	Partially	Reported in 2014 Management Letter

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CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 10, 2015**