



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2012
Fiscal Year Audited Under GAGAS: 2012



Dave Yost • Auditor of State

Board of Education
Clermont Northeastern Local School District
2792 U S Route 50
Batavia, Ohio 45103

We have reviewed the *Independent Auditor's Report* of the Clermont Northeastern Local School District, Clermont County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Clermont Northeastern Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 9, 2013

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**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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Independent Auditor's Report

Members of the Board of Education
Clermont Northeastern Local School District
2792 U. S. Route 50
Batavia, Ohio 45103

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clermont Northeastern Local School District, Clermont County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clermont Northeastern Local School District, Clermont County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Members of the Board of Education
Clermont Northeastern Local School District
Independent Auditor's Report
Page 2

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 for the General Fund, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
November 15, 2012

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2012**

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, 2012. 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 2012 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$7,287,591. Of this amount, \$501,779 may be used to meet the government's ongoing obligations to citizens and creditors.
- ✓ In total, net assets decreased by \$372,382.
- ✓ The School District had \$17,723,130 in expenses related to governmental activities; only \$2,569,269 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$14,781,479, made up primarily of property and income taxes and State Foundation payments provided the majority of funding for these programs.
- ✓ The General Fund balance decreased by \$490,108 from \$1,463,626 at June 30, 2011 to \$973,518 at June 30, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, 2012
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, 2012
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net assets at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2012 and June 30, 2011:

	FY2012	Restated FY2011
Current and other assets	\$ 10,100,233	10,523,618
Capital assets	<u>6,014,155</u>	<u>5,630,156</u>
Total assets	<u>16,114,388</u>	<u>16,153,774</u>
Long-term liabilities	1,377,866	1,738,492
Other liabilities	<u>7,448,931</u>	<u>6,755,309</u>
Total liabilities	<u>8,826,797</u>	<u>8,493,801</u>
Net assets:		
Invested in capital assets, net of debt	5,515,561	4,930,156
Restricted:		
For debt service	1,128,301	1,275,126
Other purposes	80,015	87,335
Capital projects	61,935	197,628
Unrestricted	<u>501,779</u>	<u>1,169,728</u>
Total net assets	<u>\$ 7,287,591</u>	<u>7,659,973</u>

Total assets declined from the prior year by approximately \$39,000. Current and other assets decreased primarily due to continued depressed economy with expenses outpacing revenues resulting in decreases in cash and investment balances. These decreases were partially offset by increases in taxes receivable due to anticipated collections on a large number of delinquencies. Capital assets increased due to the completion of the elementary school project.

Total liabilities increased by approximately \$333,000. The decrease in long-term liabilities was primarily due to the School District making its annual required payment on its outstanding general obligation bonds. Other liabilities increased by \$694,000, primarily due to a decrease in property taxes available to advance to the School District at year-end, which increased unearned revenue.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2012
Unaudited

B. Governmental Activities

The following table presents a condensed summary of the School District's governmental activities during fiscal year 2012 and 2011 and the resulting change in net assets:

	<u>FY2012</u>	<u>FY2011</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 1,202,614	1,318,878
Operating grants and contributions	<u>1,366,655</u>	<u>2,094,843</u>
Total program revenues	<u>2,569,269</u>	<u>3,413,721</u>
General revenues:		
Property taxes	5,708,395	7,433,624
Income taxes	2,517,964	2,570,214
Grants and entitlements	6,145,026	6,495,518
Investment earnings	11,554	8,503
Miscellaneous	<u>398,540</u>	<u>62,059</u>
Total general revenues	<u>14,781,479</u>	<u>16,569,918</u>
Total revenues	<u>17,350,748</u>	<u>19,983,639</u>
Expenses:		
Instruction	9,450,547	10,355,601
Support services:		
Pupil	817,614	803,325
Instructional staff	702,306	853,480
Board of Education	39,502	91,721
Administration	1,337,570	1,482,996
Fiscal	517,760	455,079
Business	65,722	60,814
Operation and maintenance of plant	1,111,332	2,226,707
Pupil transportation	1,929,680	1,724,916
Central	275,350	316,791
Non-instructional services	329,661	590,073
Interest and fiscal charges	319,833	34,697
Food services	<u>826,253</u>	<u>723,865</u>
Total expenses	<u>17,723,130</u>	<u>19,720,065</u>
Change in net assets	\$ <u><u>(372,382)</u></u>	<u><u>263,574</u></u>

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2012
Unaudited

Of the total governmental activities revenues of \$17,350,748, \$2,569,269 (15%) 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, 56% (\$8,226,359) comes from property and income taxes and 42% (\$6,145,026) 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 decreased by approximately 13%. Operating grants and contributions decreased by \$728,000 due to the phase out of stimulus funding at the conclusion of fiscal year 2011. Property taxes decreased by \$1.7 million due to decreases in both the amount available to be advanced by the County Auditor and in the amount unpaid and delinquent, both of which are recognized as revenue in the statement of activities. These factors also led to the 10% reduction in expenses.

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 14% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$9,450,547 but program revenue contributed to fund 14% of those costs. Thus, general revenues of \$8,115,061 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	\$	9,450,547	1,335,486	14%	8,115,061
Support services		6,796,836	234,817	3%	6,562,019
Non-instructional services		329,661	228,135	69%	101,526
Food services		826,253	770,831	93%	55,422
Interest and fiscal charges		319,833	-	0%	319,833
Total	\$	<u>17,723,130</u>	<u>2,569,269</u>	<u>14%</u>	<u>15,153,861</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 has three major funds: the General Fund, Debt Service Fund, and Permanent Improvement Fund. Assets of these fund comprise \$9,941,915 (98%) of the total \$10,165,593 governmental funds assets.

General Fund. Fund balance at June 30, 2012 was \$973,518, which represents a decrease in fund balance from the prior year of approximately \$490,000. This negative change in net assets was \$290,000 greater than the prior year's negative change in net assets of \$200,140, due to the factors discussed with governmental activities.

Debt Service Fund. The Debt Service Fund is used to accumulate resources to retire the School District's general obligation bonds. All required bond payments were made as scheduled during the current fiscal year. The fund's cash balance at year-end is adequate to make the required debt payments for the year ending June 30, 2013 as well.

Permanent Improvement Fund. The Permanent Improvement Fund is used to accumulate resources to acquire, construct, and improve School District facilities. The School District repurposed inside levy millage to provide resources for the facilities master plan. The ending fund balance at June 30, 2012 was \$28,140.

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 2012, the School District amended its General Fund budget with Clermont County as changes occurred in School District revenues and expenditures. There were no differences between the final budget and actual amounts and the changes between the original and final budgets were within approximately 1%.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2012
Unaudited

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2012, the School District had \$6,014,155 invested in a broad range of capital assets, including land, buildings and equipment. The School District invested in building improvement and vehicles during the fiscal year. See Note 4 to the financial statements for more detail.

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

		FY2012	Restated FY2011
Land	\$	2,024,809	2,024,809
Land improvements		285,084	334,525
Buildings and improvements		3,311,272	2,842,844
Furniture and equipment		324,748	385,433
Vehicles		68,242	42,545
Total	\$	<u>6,014,155</u>	<u>5,630,156</u>

Debt. The School District did not issue any debt during the year ended June 30, 2012. However, the School District retired \$201,406 of general obligation bonds and has \$498,594 outstanding at June 30, 2012. 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 appear to have reached a peak until the economy experiences a rebound.

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, including a cut of approximately \$1,000,000 from operations during fiscal year 2012 and additional cuts planned for fiscal year 2013, but will soon reach a point where no further cuts can be made and expects to 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, 2012
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 Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 1,796,621
Receivables:	
Taxes	8,278,882
Interest	5,926
Supplies inventory	18,804
Nondepreciable capital assets	2,024,809
Depreciable capital assets, net	<u>3,989,346</u>
Total assets	<u>16,114,388</u>
Liabilities:	
Accounts payable	179,415
Accrued wages and benefits	1,068,935
Pension obligation payable	272,587
Unearned revenue	5,900,205
Accrued interest payable	27,789
Noncurrent liabilities:	
Due within one year	294,002
Due within more than one year	<u>1,083,864</u>
Total liabilities	<u>8,826,797</u>
Net Assets:	
Invested in capital assets, net of related debt	5,515,561
Restricted for:	
Debt service	1,128,301
Other purposes	80,015
Capital projects	61,935
Unrestricted	<u>501,779</u>
Total net assets	\$ <u>7,287,591</u>

See accompanying notes to the basic financial statements.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2012

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 7,123,374	672,110	20,145	\$ (6,431,119)
Special education	1,976,589	-	643,231	(1,333,358)
Other	350,584	-	-	(350,584)
Support services:				
Pupil	817,614	-	352	(817,262)
Instructional staff	702,306	-	43,735	(658,571)
Board of Education	39,502	-	-	(39,502)
Administration	1,337,570	-	39,568	(1,298,002)
Fiscal	517,760	-	-	(517,760)
Business	65,722	-	-	(65,722)
Operation and				
maintenance of plant	1,111,332	-	-	(1,111,332)
Pupil transportation	1,929,680	5,859	38,517	(1,885,304)
Central	275,350	106,786	-	(168,564)
Non-instructional services:				
Extracurricular activities	260,114	93,484	-	(166,630)
Community service	69,547	-	134,651	65,104
Food service	826,253	324,375	446,456	(55,422)
Interest on long-term debt	319,833	-	-	(319,833)
	<u>\$ 17,723,130</u>	<u>1,202,614</u>	<u>1,366,655</u>	<u>(15,153,861)</u>
General Revenues:				
Property taxes, levied for general purposes				4,704,394
Property taxes, levied for debt services				351,884
Property taxes, levied for permanent improvement				652,117
Income taxes				2,517,964
Grants and entitlements not restricted to specific programs				6,145,026
Investment earnings				11,554
Miscellaneous				398,540
Total general revenues				<u>14,781,479</u>
Change in net assets				(372,382)
Net assets beginning of year, restated				<u>7,659,973</u>
Net assets end of year				\$ <u><u>7,287,591</u></u>

See accompanying notes to the basic financial statements.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2012

	General	Debt Service	Permanent Improvement	Other Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 509,970	1,081,777	-	204,874
Receivables:				
Taxes	7,045,281	454,484	779,117	-
Accrued interest	5,926	-	-	-
Materials and supplies inventory	-	-	-	18,804
Interfund receivable	65,360	-	-	-
Total assets	<u>7,626,537</u>	<u>1,536,261</u>	<u>779,117</u>	<u>223,678</u>
Liabilities:				
Accounts payable	161,915	-	-	17,500
Accrued wages and benefits	948,796	-	-	120,139
Pension obligation payable	233,946	-	-	38,641
Interfund payable	-	-	65,360	-
Deferred revenue	5,308,362	399,884	685,617	-
Total liabilities	<u>6,653,019</u>	<u>399,884</u>	<u>750,977</u>	<u>176,280</u>
Fund Balances:				
Nonspendable	-	-	-	18,804
Restricted	-	1,136,377	28,140	61,211
Committed	231,740	-	-	-
Assigned	117,904	-	-	-
Unassigned	623,874	-	-	(32,617)
Total fund balances	<u>973,518</u>	<u>1,136,377</u>	<u>28,140</u>	<u>47,398</u>
Total liabilities and fund balances	<u>\$ 7,626,537</u>	<u>1,536,261</u>	<u>779,117</u>	<u>223,678</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2012

<p style="text-align: center;">Total Governmental Funds</p> <hr style="width: 100%;"/> <p style="text-align: right;">1,796,621</p> <p style="text-align: right;">8,278,882</p> <p style="text-align: right;">5,926</p> <p style="text-align: right;">18,804</p> <p style="text-align: right;"><u>65,360</u></p> <p style="text-align: right;"><u>10,165,593</u></p> <p style="text-align: right;">179,415</p> <p style="text-align: right;">1,068,935</p> <p style="text-align: right;">272,587</p> <p style="text-align: right;">65,360</p> <p style="text-align: right;"><u>6,393,863</u></p> <p style="text-align: right;"><u>7,980,160</u></p> <p style="text-align: right;">18,804</p> <p style="text-align: right;">1,225,728</p> <p style="text-align: right;">231,740</p> <p style="text-align: right;">117,904</p> <p style="text-align: right;"><u>591,257</u></p> <p style="text-align: right;"><u>2,185,433</u></p> <p style="text-align: right;"><u>10,165,593</u></p>	<p>Total Governmental Fund Balances \$ 2,185,433</p> <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 6,014,155</p> <p>Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds. 493,658</p> <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">General obligation bonds</td> <td style="width: 20%; text-align: right;">498,594</td> <td style="width: 20%;"></td> </tr> <tr> <td>Compensated absences</td> <td style="text-align: right;">879,272</td> <td></td> </tr> <tr> <td>Accrued interest payable</td> <td style="text-align: right;"><u>27,789</u></td> <td style="text-align: right;"><u>(1,405,655)</u></td> </tr> </table> <p>Net Assets of Governmental Activities \$ <u>7,287,591</u></p>	General obligation bonds	498,594		Compensated absences	879,272		Accrued interest payable	<u>27,789</u>	<u>(1,405,655)</u>
General obligation bonds	498,594									
Compensated absences	879,272									
Accrued interest payable	<u>27,789</u>	<u>(1,405,655)</u>								

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2012

	General	Debt Service	Permanent Improvement	Other Governmental Funds
Revenues:				
Taxes	\$ 7,554,598	383,014	705,481	-
Tuition and fees	589,981	-	-	-
Charges for services	-	-	-	324,375
Interest	11,554	-	-	-
Intergovernmental	6,114,595	30,431	-	1,393,160
Other local revenues	593,214	-	-	93,584
Total revenues	<u>14,863,942</u>	<u>413,445</u>	<u>705,481</u>	<u>1,811,119</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,092,422	-	13,951	13,383
Special education	1,303,756	-	-	649,833
Other	347,182	-	-	-
Support services:				
Pupil	807,016	-	-	364
Instructional staff	646,708	-	-	42,851
Board of Education	39,502	-	-	-
Administration	1,263,970	-	15,804	37,413
Fiscal	486,428	7,901	14,306	-
Business	65,722	-	-	-
Operation and maintenance of plant	967,932	-	612,468	-
Pupil transportation	1,800,681	-	-	98,683
Central	201,930	-	-	79,417
Non-instructional services:				
Extracurricular activities	30,701	-	-	230,550
Community service	900	-	131,281	66,981
Food service	-	-	-	826,067
Debt Service:				
Principal	-	201,406	-	-
Interest and fiscal charges	-	318,594	-	-
Total expenditures	<u>15,054,850</u>	<u>527,901</u>	<u>787,810</u>	<u>2,045,542</u>
Excess of revenues over (under) expenditures	<u>(190,908)</u>	<u>(114,456)</u>	<u>(82,329)</u>	<u>(234,423)</u>
Other financing sources (uses):				
Transfers in	-	-	-	299,200
Transfers out	(299,200)	-	-	-
Total other financing sources (uses):	<u>(299,200)</u>	<u>-</u>	<u>-</u>	<u>299,200</u>
Net change in fund balance	(490,108)	(114,456)	(82,329)	64,777
Fund balance, beginning of year	<u>1,463,626</u>	<u>1,250,833</u>	<u>110,469</u>	<u>(17,379)</u>
Fund balance, end of year	\$ <u>973,518</u>	<u>1,136,377</u>	<u>28,140</u>	<u>47,398</u>

See accompanying notes to the basic financial statements.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

		Private Purpose Trusts	Agency Funds
ASSETS			
Equity in pooled cash and investments	\$	<u>43,636</u>	<u>31,244</u>
Total assets		<u><u>43,636</u></u>	<u><u>31,244</u></u>
LIABILITIES			
Accounts payable		1,250	-
Due to student groups		<u>-</u>	<u>31,244</u>
Total liabilities		<u><u>1,250</u></u>	<u><u>31,244</u></u>
NET ASSETS			
Held in trust	\$	<u><u>42,386</u></u>	

See accompanying notes to the basic financial statements.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2012

		Private- Purpose Trusts
		<u> </u>
Additions:		
Contributions	\$	<u>23,997</u>
Total additions		<u>23,997</u>
 Deductions:		
Community gifts, awards and scholarships		<u>9,894</u>
Total deductions		<u>9,894</u>
 Change in net assets		 14,103
 Net assets, beginning of year		 <u>28,283</u>
Net assets, end of year	\$	<u><u>42,386</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, 2012

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, 2012

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 assets 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 and current liabilities 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, 2012

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 and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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.

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

Permanent Improvement Fund – This fund accounts for all transactions related to acquiring, constructing, or improving permanent improvements.

Fiduciary Funds report on net assets and changes in net assets. 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, 2012

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 Revenue Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes measurable as of June 30, 2012, which are intended to finance fiscal year 2013 operations, have been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

E. Cash and Cash Equivalents

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 2012, the School District's investments included U.S. agency securities, STAR Ohio, and money market funds.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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, 2012.

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, 2012, 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. 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 fund balance reserve 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.

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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

All reported capital assets except land 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.

J. Interfund Transactions

On the fund financials, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of activities.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

K. 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.

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.

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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

M. 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.

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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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.

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":

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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, the School District's bank balance of \$262,694 was covered by the Federal Deposit Insurance Corporation.

Investments

The School District's investments at June 30, 2012 are as summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity Years</u>	<u>Concentration of Credit Risk</u>
FHLB	\$ 507,255	2.64	29%
FNMA	200,520	1.33	11%
STAR Ohio	732,581	n/a	42%
US Money Market Funds	<u>310,921</u>	n/a	18%
	<u>\$ 1,751,277</u>		

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 FHLB and FNMA securities were rated AA+ by Standard & Poor's and Aaa by Moody's. Investments in STAR Ohio were 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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

3. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in the subsequent fiscal year and are intended to finance the operations of that year, except monies available to be advanced against such distributions which may be appropriated and used in the current fiscal year. Property taxes include amounts levied against real and public utility property located within the School District.

Real property taxes and public utility taxes are levied after April against the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised value.

Public utility property taxes are assessed on tangible personal property as well as land and improvements. Real property is assessed at 35 percent of true value and tangible personal property is currently assessed at varying percentages of true value. These taxes attached as a lien against local and inter-exchange telephone companies and are levied January 1 of the current year. Tangible personal property tax on business inventory, manufacturing machinery, and equipment is no longer levied and collected.

The School District receives property taxes from the Clermont County Auditor, who 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, 2012 are available to finance fiscal year 2012 operations.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, and public utility taxes that became measurable as of June 30, 2012. 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 revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2012 was \$691,400 in the General Fund, \$54,600 in the Debt Service Fund, and \$93,500 in the Permanent Improvement Fund.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

The assessed values upon which fiscal year 2012 taxes were collected are:

	<u>2011 Second- Half Collections</u>		<u>2012 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 294,604,980	97.55%	268,351,360	97.24%
Public Utility and Tangible Personal Property	<u>7,412,180</u>	2.45%	<u>7,604,860</u>	2.76%
Total Assessed Value	\$ <u><u>302,017,160</u></u>	100.00%	<u><u>275,956,220</u></u>	100.00%

Tax rate per \$1,000 of

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Restated Balance 7/1/11	Additions	Disposals	Balance 6/30/12
<i>Governmental Activities</i>				
Nondepreciable:				
Land	\$ 2,024,809	-	-	2,024,809
Depreciable:				
Land improvements	1,443,396	-	-	1,443,396
Buildings and improvements	9,320,725	605,992	-	9,926,717
Equipment and furniture	3,295,244	9,498	-	3,304,742
Vehicles	76,781	32,366	-	109,147
Subtotal	<u>14,136,146</u>	<u>647,856</u>	<u>-</u>	<u>14,784,002</u>
Totals at historical cost	<u>16,160,955</u>	<u>647,856</u>	<u>-</u>	<u>16,808,811</u>
Less accumulated depreciation:				
Land improvements	1,108,871	49,441	-	1,158,312
Buildings and improvements	6,477,881	137,564	-	6,615,445
Equipment and furniture	2,909,811	70,183	-	2,979,994
Vehicles	34,236	6,669	-	40,905
Total accumulated depreciation	<u>10,530,799</u>	<u>263,857</u>	<u>-</u>	<u>10,794,656</u>
Capital assets, net	<u>\$ 5,630,156</u>	<u>383,999</u>	<u>-</u>	<u>6,014,155</u>

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 121,569
Special education	23,000
Other	3,402
Support services:	
Pupil	11,444
Instructional staff	12,747
Administration	22,383
Fiscal	9,125
Operation and maintenance of plant	26,732
Pupil transportation	30,316
Extracurricular activities	858
Food service	<u>2,281</u>
Total depreciation expense	\$ <u><u>263,857</u></u>

5. INTERFUND TRANSACTIONS

On the fund financial statements, the General Fund has a receivable of \$65,360 due from the Permanent Improvement Fund. This interfund loan was made to provide operating capital.

During the year ended June 30, 2012, the General Fund made transfers of \$299,200 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, (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 2012, 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, 2012

For fiscal year 2012, 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 2012, 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, 2012, the allocation to pension and death benefits was 12.70%. The remaining 1.30% 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, 2012, 2011, and 2010 were approximately \$241,000, \$245,000, and \$250,000, respectively, which equaled the required contributions each year.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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, 2012

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 10% for members and 14% for employers.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

Contribution requirements and the contributions actually made for fiscal year ended June 30, 2012 were 10% of covered payroll for members and 14% for employers. The School District's required contributions for the years ended June 30, 2012, 2011, and 2010 were approximately \$993,000, \$1,037,000, and \$1,028,000, respectively; 85% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010. The unpaid contribution for fiscal year 2012 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 4.2% 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, 2012, 2011, and 2010. 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, 2012, 2011, and 2010 were approximately \$71,000, \$74,000, and \$73,000, respectively, respectively; 85% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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 2012 was \$99.90 for most participants, but could be as high as \$319.70 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 2012, the actuarially required allocation was 0.75%. The School District contributions for the years ended June 30, 2012, 2011, and 2010 were \$13,000, \$13,000, and \$14,000, 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, 2012, the health care allocation was 0.55%. 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 2012, the minimum compensation level was established at \$35,800. 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, 2012, 2011, and 2010 were \$9,000, \$25,000, and \$8,000, respectively, which equaled the required contributions each year.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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, 2012 was as follows:

	Principal Outstanding 7/1/11	Additions	Reductions	Principal Outstanding 6/30/12	Due Within One Year
General obligation bonds \$	700,000	-	201,406	498,594	181,538
Compensated absences	<u>1,038,492</u>	<u>23,375</u>	<u>182,595</u>	<u>879,272</u>	<u>112,464</u>
Total \$	<u><u>1,738,492</u></u>	<u><u>23,375</u></u>	<u><u>384,001</u></u>	<u><u>1,377,866</u></u>	<u><u>294,002</u></u>

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 as of June 30, 2012 bear interest at rates ranging from 4.49% to 4.8%, with final payment 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 -\$498,594 with an unvoted debt margin of \$0 at June 30, 2012.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30,		Principal	Interest	Total
2013	\$	181,538	333,462	515,000
2014		165,217	349,783	515,000
2015		151,839	368,161	520,000
Total	\$	<u>498,594</u>	<u>1,051,406</u>	<u>1,550,000</u>

11. FUND BALANCE DEFICITS

At June 30, 2012, the following funds had a deficit fund balance:

Other Governmental Funds:	
Athletics Fund	\$ 937
Special Education Fund	23,797
Title I, Part A Fund	7,883

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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

12. 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 funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>					
Inventory	\$ -	-	-	18,804	18,804
<i>Restricted for</i>					
Food Service Operations	-	-	-	24,227	24,227
Management Information Systems	-	-	-	24,910	24,910
Other Purposes	-	-	-	12,074	12,074
Debt Service Payments	-	1,136,377	-	-	1,136,377
Capital Improvements	-	-	28,140	-	28,140
<i>Total Restricted</i>	-	1,136,377	28,140	61,211	1,225,728
<i>Committed to</i>					
Termination Benefits	231,740	-	-	-	231,740
<i>Assigned to</i>					
Public School Support	76,218	-	-	-	76,218
Encumbrances	41,686	-	-	-	41,686
<i>Total Assigned</i>	117,904	-	-	-	117,904
<i>Unassigned (Deficit)</i>	623,874	-	-	(32,617)	591,257
<i>Total Fund Balance</i>	\$ 973,518	1,136,377	28,140	47,398	2,185,433

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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.

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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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 Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, 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.

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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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.

		<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2011	\$	-
Current year set-aside requirement		282,376
Current year qualifying expenditures		(769,475)
Excess qualified expenditures from prior years		<u>-</u>
Total		<u>(487,099)</u>
Set-aside reserve balance June 30, 2012	\$	<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, 2012, the School District recorded income tax revenue of \$2,517,964 in the entity-wide financials and a receivable as of June 30, 2012 of \$1,211,841.

18. RESTATEMENT

The School District restated its net assets as of June 30, 2011 to correct its capital asset records based on a physical inventory performed in October, 2011. The following table shows the effect on Governmental Activities' net assets:

		<u>Governmental Activities</u>
Net Assets at June 30, 2011	\$	6,962,731
Capital Asset Adjustments		<u>697,242</u>
Restated Net Assets at June 30, 2011	\$	<u>7,659,973</u>

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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 8,173,037	8,203,732	8,203,732	-
Tuition and fees	402,000	565,906	565,906	-
Interest	14,000	13,053	13,053	-
Intergovernmental	6,255,052	6,114,595	6,114,595	-
Other local revenues	483,105	480,569	480,569	-
Total revenues	<u>15,327,194</u>	<u>15,377,855</u>	<u>15,377,855</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,397,116	7,188,751	7,188,751	-
Special education	1,300,000	1,286,272	1,286,272	-
Other instruction	185,000	174,651	174,651	-
Support services:				
Pupil	800,000	784,516	784,516	-
Instructional staff	675,000	651,816	651,816	-
Board of Education	40,000	39,290	39,290	-
Administration	1,250,000	1,282,593	1,282,593	-
Fiscal	500,000	484,553	484,553	-
Business	65,000	60,916	60,916	-
Operation and maintenance of plant	1,000,000	999,220	999,220	-
Pupil transportation	1,630,500	1,673,692	1,673,692	-
Central	125,000	119,369	119,369	-
Non-instructional services:				
Extracurricular activities	13,000	12,696	12,696	-
Total expenditures	<u>14,980,616</u>	<u>14,758,335</u>	<u>14,758,335</u>	<u>-</u>
Excess of revenues over expenditures	346,578	619,520	619,520	-
Other financing sources (uses):				
Transfers in	400,000	-	-	-
Transfers out	(561,756)	(568,258)	(568,258)	-
Total other financing sources (uses):	<u>(161,756)</u>	<u>(568,258)</u>	<u>(568,258)</u>	<u>-</u>
Change in fund balance	184,822	51,262	51,262	-
Fund balance, beginning of year	9,446	9,446	9,446	
Prior year encumbrances appropriated	127,110	127,110	127,110	
Fund balance, end of year	\$ <u>321,378</u>	<u>187,818</u>	<u>187,818</u>	

See accompanying notes to required supplementary information.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2012

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:

Net change in fund balance - GAAP Basis	\$	<u>General</u> (490,108)
Increase / (decrease):		
Due to inclusion of the Preschool Fund		7,132
Due to inclusion of the Termination Benefits Fund		(63,318)
Due to inclusion of the Public School Support Fund		(8,291)
Due to revenues		650,633
Due to expenditures		36,661
Due to other sources (uses)		(19,145)
Due to encumbrances		<u>(62,302)</u>
Net change in fund balance - Budget Basis	\$	<u>51,262</u>

Clermont Northeastern Local School District
Clermont County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 112,256	\$ -	\$ 112,256	\$ -
National School Lunch Program	3L60	10.555	291,554	34,894	291,554	34,894
Total Nutrition Cluster			403,810	34,894	403,810	34,894
Total United States Department of Agriculture			403,810	34,894	403,810	34,894
United States Department of Education						
<i>Passed through Ohio Department of Education:</i>						
<i>Title I, Part A Cluster</i>						
Title I Grants to Local Education Agencies	3M00	84.010	315,452	-	330,078	-
Special Education Cluster (IDEA)						
Special Education Grants to States	3M20	84.027	387,223	-	417,100	-
Special Education Preschool Grants	3C50	84.173	4,844	-	4,844	-
Total Special Education Cluster (IDEA)			392,067	-	421,944	-
Education Technology State Grants Cluster						
Education Technology State Grants	3S20	84.318	2,246	-	2,296	-
Total Education Technology State Grants Cluster			2,246	-	2,296	-
Improving Teacher Quality - State Grants	3Y60	84.367	78,996	-	78,593	-
Education Jobs Fund	3ET0	84.410	33,125	-	28,858	-
Total Passed Through Ohio Department of Education			821,886	-	861,769	-
<i>Passed through Great Oaks Career Technical Center:</i>						
Career and Technical Education - Basic Grants to States	N/A	84.048	4,576	-	3,799	-
Total Passed Through Great Oaks Career Technical Center			4,576	-	3,799	-
Total United States Department of Education			826,462	-	865,568	-
Total Federal Financial Assistance			\$ 1,230,272	\$ 34,894	\$ 1,269,378	\$ 34,894

N/A Pass through number not available

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE C – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of the Board of Education
Clermont Northeastern Local School District
2792 U. S. Route 50
Batavia, Ohio 45103

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clermont Northeastern Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 15, 2012.

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
November 15, 2012



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board of Education
Clermont Northeastern Local School District
2792 U. S. Route 50
Batavia, Ohio 45103

Compliance

We have audited the compliance of Clermont Northeastern Local School District, Clermont County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Clermont Northeastern Local School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Clermont Northeastern Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

Members of the Board of Education
Clermont Northeastern Local School District
Report on Compliance with Requirements Applicable to each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133
Page 2

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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
November 15, 2012

**Clermont Northeastern Local School District
Clermont County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

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

**Clermont Northeastern Local School District
Clermont County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2012**

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

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Dave Yost • Auditor of State

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
JANUARY 22, 2013