



PERRY

& Associates CPAs

PASSION *Beyond the Numbers*

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2023**

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of Clermont Northeastern Local School District, Clermont County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2022 through June 30, 2023. 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. Clermont Northeastern Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 13, 2024

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**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO**

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CLERMONT COUNTY, OHIO**

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INDEPENDENT AUDITOR’S REPORT

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

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

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 (School District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 the Clermont Northeastern Local School District, Clermont County, Ohio as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, required budgetary comparison for the General Fund, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

December 27, 2023

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023**

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, 2023. 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 2023 are listed below:

- ✓ The School District’s assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at year-end by \$4,518,473. Of this amount, \$6,787,955 is invested in capital assets, net of related debt. The School District’s unrestricted net position is a deficit amount attributable to the recognition of its proportionate share of the state-wide pension plans’ net pension and other postemployment benefit liabilities.
- ✓ In total, net position increased by \$3,864,668.
- ✓ The School District had \$21,485,902 in expenses related to governmental activities; only \$4,495,040 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$20,855,530, made up primarily of property and income taxes and State Foundation payments provided the majority of funding for these programs.
- ✓ The General Fund balance increased by \$1,698,546 from \$10,206,844 at June 30, 2022 to \$11,905,390 at June 30, 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023
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 and required pension and other postemployment benefits information.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net position at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2023 and June 30, 2022:

	<u>FY2023</u>	<u>FY2022</u>
Current and other assets	\$ 24,256,179	\$ 22,395,181
Capital assets	<u>10,112,955</u>	<u>9,215,214</u>
Total assets	<u>34,369,134</u>	<u>31,610,395</u>
Deferred outflows of resources	<u>4,539,308</u>	<u>4,959,641</u>
Long-term liabilities:		
Net pension liability	17,902,855	11,129,659
Net OPEB liability	1,229,500	1,675,357
Other long-term liabilities	4,063,975	4,678,559
Other liabilities	<u>1,782,343</u>	<u>1,802,760</u>
Total liabilities	<u>24,978,673</u>	<u>19,286,335</u>
Deferred inflows of resources	<u>9,411,296</u>	<u>16,629,896</u>
Net position:		
Net investment in capital assets	6,787,955	5,301,813
Restricted	4,202,092	3,396,240
Unrestricted (deficit)	<u>(6,471,574)</u>	<u>(8,044,248)</u>
Total net position	<u>\$ 4,518,473</u>	<u>\$ 653,805</u>

The net pension liability is reported pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The net other postemployment benefits (OPEB) asset and liability are reported pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023
Unaudited

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Prior accounting for pensions (GASB Statement No. 27) and OPEB (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement Nos. 68 and 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio statewide pension and OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

As required by GASB Statement Nos. 68 and 75, the required net pension liability and the net OPEB liability/(asset) equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension and OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement systems are responsible for the administration of the pension and OPEB plans.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023
Unaudited

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension or net OPEB liabilities. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible part for the unfunded portion. Due to the unique nature of how the net pension and net OPEB liabilities are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement Nos. 68 and 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

The unrestricted net position (deficit) at June 30, 2023 was (\$6,471,574). However, if the components of recording the net pension and OPEB liabilities and net OPEB asset are removed from the Statement of Net Position, the School District's unrestricted net position would be a positive \$11,163,390. We feel this is important to mention as the management of the School District has no control over the management of the State-wide retirement plans or the benefits offered; both of which control the net pension and OPEB liabilities that significantly impact the School District's financial statements.

Total assets increased \$2.8 million during the current fiscal year. The increase was primarily due to increases in cash from positive operating results.

Total liabilities increased by approximately \$5.7 million. The increase was a result of an increase in the net pension liability, which can fluctuate unpredictably due to changes in investment market conditions and actuarial assumptions. For fiscal year 2023, the primary driver for the increases was negative investment returns on the pension portfolio: the School Employees Retirement System (SERS) reported an annual money-weighted rate of return of -1.93% (compared to 28.18% in the prior year), and the State Teachers Retirement System (STRS) reported an annual money-weighted rate of return of -3.55% (compared to 29.24% in the prior year). Other long-term liabilities decreased as the School District satisfied its annual debt service requirements on the outstanding lease-purchase liability.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023
Unaudited

B. Governmental Activities

The following table presents a condensed summary of the School District's governmental activities during fiscal year 2023 and 2022 and the resulting change in net position:

	<u>FY2023</u>	<u>FY2022</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 1,490,025	\$ 1,444,344
Operating grants and contributions	<u>3,005,015</u>	<u>2,467,979</u>
Total program revenues	<u>4,495,040</u>	<u>3,912,323</u>
General revenues:		
Property taxes	8,212,040	9,108,610
Income taxes	4,711,439	5,059,673
Grants and entitlements	7,015,029	6,965,041
Investment earnings	397,475	35,264
Miscellaneous	<u>519,547</u>	<u>512,125</u>
Total general revenues	<u>20,855,530</u>	<u>21,680,713</u>
Total revenues	<u>25,350,570</u>	<u>25,593,036</u>
Expenses:		
Instruction	10,729,811	10,185,018
Support services	8,692,444	7,553,220
Non-instructional services	580,779	648,984
Interest and fiscal charges	110,890	129,387
Food services	<u>1,371,978</u>	<u>1,306,329</u>
Total expenses	<u>21,485,902</u>	<u>19,822,938</u>
Change in net position	3,864,668	5,770,098
Beginning net position (deficit)	<u>653,805</u>	<u>(5,116,293)</u>
Ending net position (deficit)	<u>\$ 4,518,473</u>	<u>\$ 653,805</u>

Of the total governmental activities revenues of \$25,350,570, 18% (\$4,495,040) 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, 62% (\$12,923,479) comes from property and income taxes and 34% (\$7,015,029) is from state funding. The School District's operations are reliant upon its property and income taxes and the State's foundation program.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023
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Total revenues decreased by approximately \$242,000. Property taxes accounted for approximately \$900,000 of the decrease, due to swings in the amount of taxes the County Auditor had available to advance to the School District between years. The decrease was partially offset by receiving additional intergovernmental revenue from the Federal APRA-funded School Emergency Relief Funding, to assist with pandemic-related learning loss and infrastructure, and receiving better investment rates on the School District fixed income portfolio. Total expenses increased by \$1.7 million or about 8%, due to the increase in the net pension liability, previously discussed.

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 21% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$10,729,811 but program revenue contributed to fund 21% of those costs. Thus, general revenues of \$8,516,300 were used to support of remainder of the instruction costs.

	Governmental Activities			
	<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Instruction	\$ 10,729,811	\$ 2,213,511	21%	\$ 8,516,300
Support services	8,692,444	458,703	5%	8,233,741
Non-instructional services	580,779	327,653	56%	253,126
Food services	1,371,978	1,495,173	109%	(123,195)
Interest and fiscal charges	<u>110,890</u>	<u>-</u>	0%	<u>110,890</u>
Total	<u>\$ 21,485,902</u>	<u>\$ 4,495,040</u>	<u>21%</u>	<u>\$ 16,990,862</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 two major governmental funds: the General Fund and the Permanent Improvement Fund. Assets of these two funds comprise 90% of the total \$22,743,297 governmental funds' assets.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Management’s Discussion and Analysis
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General Fund. The General Fund is the School District’s primary operating fund and ended with a fund balance of \$11,905,390 at June 30, 2023. Of this amount, \$9,851,742 is unassigned and represents 60% of total General Fund expenditures. Overall, the General Fund experienced an increase in fund balance of \$1.7 million. This was driven by a 3% decrease in total revenues, due to decrease in property taxes, previously discussed. Additionally, the School District transferred \$1.355 million to the Permanent Improvement Fund to help fund the middle school roof replacement and new track and tennis courts.

Permanent Improvement Fund. The Permanent Improvement Fund is used to account for the School District’s capital activity and ended the year with a fund balance of \$1,887,769. During the year, the School District utilized this fund to make debt service payments on the lease purchase agreement and purchase equipment.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District’s original and final budgets and actual results is included in the required supplementary information. During fiscal year 2023, the School District amended its General Fund budget with Clermont County as changes occurred in School District revenues and expenditures. The change between the original and final budgeted revenue was an increase of approximately \$252,000 or about 1%, due primarily to seeing increased state funding and taxes. Expenditures of the final budget were less than original as grant funding was available in other funds to cover costs previously reported in the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. At June 30, 2023, the School District had invested in a broad range of capital assets, including land, buildings, equipment and vehicles. Capital activity during the year included completion of several roofing and paving improvements and purchasing and installing playground and other equipment. See Note 4 to the financial statements for more detail.

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

	<u>FY2023</u>	<u>FY2022</u>
Land	\$ 2,024,809	\$ 2,024,809
Land improvements	2,542,940	2,510,019
Buildings and improvements	16,119,149	14,808,443
Furniture and equipment	3,971,831	3,830,951
Vehicles	119,969	119,969
Less: Accumulated depreciation	<u>(14,665,743)</u>	<u>(14,078,977)</u>
Total	<u>\$ 10,112,955</u>	<u>\$ 9,215,214</u>

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
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Debt. During fiscal year 2018, the School District entered into a \$6 million lease-purchase agreement, with an interest rate of 3.1% and maturing on December 1, 2027. The amount outstanding as of June 30, 2023 was \$3,325,000, with \$625,000 due in fiscal year 2024. See Note 10 to the financial statements for more detail.

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 recovering economy and recent reappraisal, the School District is seeing tax revenue growth, and slowly recovering from their previous levels.

As for expenses, the School District faces continued increases in the cost of healthcare for its employees. The School District also faces an increasing number of children requiring special education and services. The School District is facing these challenges by being conservative after making drastic cuts to its budget and services offered during the recessionary period.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the Clermont Northeastern Local School District, 2792 US Route 50, Batavia, Ohio 45103.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 12,891,385
Receivables:	
Taxes	9,701,180
Accounts	5,815
Intergovernmental	81,245
Prepaid items	20,119
Materials and supplies inventory	13,792
Net OPEB asset	1,542,643
Nondepreciable capital assets	2,024,809
Depreciable capital assets, net	8,088,146
Total assets	<u>34,369,134</u>
Deferred Outflows of Resources:	
Pension	3,919,949
OPEB	619,359
Total deferred outflows of resources	<u>4,539,308</u>
Liabilities:	
Accounts payable	258,194
Accrued wages and benefits payable	1,125,216
Intergovernmental payable	250,910
Unearned revenue	139,433
Accrued interest payable	8,590
Noncurrent liabilities:	
Due within one year	845,755
Due within more than one year:	
Net pension liability	17,902,855
Net OPEB liability	1,229,500
Other amounts due within more than one year	3,218,220
Total liabilities	<u>24,978,673</u>
Deferred Inflows of Resources:	
Taxes levied for next fiscal year	4,826,736
Pension	1,911,573
OPEB	2,672,987
Total deferred inflows of resources	<u>9,411,296</u>
Net Position:	
Net investment in capital assets	6,787,955
Restricted for:	
Debt service	718,387
Other purposes	2,307,030
Capital projects	1,176,675
Unrestricted (deficit)	<u>(6,471,574)</u>
Total net position	<u>\$ 4,518,473</u>

See accompanying notes.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2023

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 7,180,590	\$ 623,865	\$ 1,102,462	\$ (5,454,263)
Special education	3,159,257	-	465,822	(2,693,435)
Other	389,964	-	21,362	(368,602)
Support services:				
Pupil	1,249,062	-	44,260	(1,204,802)
Instructional staff	456,513	-	262,295	(194,218)
Board of Education	68,668	-	-	(68,668)
Administration	1,813,636	-	-	(1,813,636)
Fiscal	619,920	-	-	(619,920)
Business	38,321	-	-	(38,321)
Operation and				
maintenance of plant	1,813,923	-	42,643	(1,771,280)
Pupil transportation	2,264,666	5,526	6,414	(2,252,726)
Central	367,735	30,038	67,527	(270,170)
Non-instructional services:				
Extracurricular activities	470,813	179,526	-	(291,287)
Community service	109,966	-	148,127	38,161
Food service	1,371,978	651,070	844,103	123,195
Interest on long-term debt	110,890	-	-	(110,890)
	\$ 21,485,902	\$ 1,490,025	\$ 3,005,015	(16,990,862)
General Revenues:				
Property taxes, levied for general purposes				7,174,244
Property taxes, levied for permanent improvement				1,037,796
Income taxes				4,711,439
Grants and entitlements not restricted to specific programs				7,015,029
Investment earnings				397,475
Miscellaneous				519,547
Total general revenues				20,855,530
Change in net position				3,864,668
Net position beginning of year				653,805
Net position end of year				\$ 4,518,473

See accompanying notes.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2023

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 9,106,252	\$ 1,546,965	\$ 2,238,168	\$ 12,891,385
Receivables:				
Taxes	8,715,297	985,883	-	9,701,180
Accounts	5,381	-	434	5,815
Intergovernmental	3,512	-	77,733	81,245
Prepaid items	18,681	-	1,438	20,119
Materials and supplies inventory	2,568	-	11,224	13,792
Interfund receivable	29,761	-	-	29,761
Total assets	\$ 17,881,452	\$ 2,532,848	\$ 2,328,997	\$ 22,743,297
Liabilities:				
Accounts payable	\$ 116,304	\$ 3,167	\$ 138,723	\$ 258,194
Accrued wages and benefits payable	994,361	-	130,855	1,125,216
Intergovernmental payable	192,021	-	58,889	250,910
Unearned revenue	-	-	139,433	139,433
Interfund payable	-	-	29,761	29,761
Compensated absences payable	58,705	-	-	58,705
Total liabilities	1,361,391	3,167	497,661	1,862,219
Deferred Inflows of Resources:				
Taxes levied for next fiscal year	4,200,707	626,029	-	4,826,736
Unavailable revenue	413,964	15,883	77,733	507,580
Total deferred inflows of resources	4,614,671	641,912	77,733	5,334,316
Fund Balances:				
Nonspendable	21,249	-	12,662	33,911
Restricted	-	1,887,769	1,845,383	3,733,152
Committed	505,569	-	-	505,569
Assigned	1,526,830	-	-	1,526,830
Unassigned (deficit)	9,851,742	-	(104,442)	9,747,300
Total fund balances	11,905,390	1,887,769	1,753,603	15,546,762
Total liabilities, deferred inflows of resources and fund balances	\$ 17,881,452	\$ 2,532,848	\$ 2,328,997	\$ 22,743,297

See accompanying notes.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Reconciliation of Total Governmental Fund Balances to

Net Position of Governmental Activities

June 30, 2023

Total Governmental Fund Balances \$ 15,546,762

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 10,112,955

Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds. 507,580

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Lease purchase agreement	(3,325,000)	
Accrued interest	(8,590)	
Compensated absences	<u>(680,270)</u>	(4,013,860)

The net pension and OPEB liabilities are not due and payable in the current period. The net OPEB asset is not available to pay for current period expenditures. Therefore, the asset, liabilities, and related deferrals are not reported in the funds:

Deferred outflows - pension	3,919,949	
Deferred inflows - pension	(1,911,573)	
Net pension liability	(17,902,855)	
Deferred outflows - OPEB	619,359	
Deferred inflows - OPEB	(2,672,987)	
Net OPEB asset	1,542,643	
Net OPEB liability	<u>(1,229,500)</u>	<u>(17,634,964)</u>

Net Position of Governmental Activities \$ 4,518,473

See accompanying notes.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2023

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 7,141,777	\$ 1,032,944	\$ -	\$ 8,174,721
Income taxes	4,723,825	-	-	4,723,825
Tuition and fees	619,208	-	-	619,208
Charges for services	30,418	-	744,046	774,464
Interest	397,475	-	37,622	435,097
Intergovernmental	6,887,853	127,176	3,141,414	10,156,443
Other local revenues	505,067	42,097	33,075	580,239
Total revenues	20,305,623	1,202,217	3,956,157	25,463,997
Expenditures:				
Current:				
Instruction:				
Regular	5,991,652	1,500	1,015,538	7,008,690
Special education	2,537,609	-	662,171	3,199,780
Other	361,008	-	25,480	386,488
Support services:				
Pupil	1,229,635	-	52,716	1,282,351
Instructional staff	224,801	-	229,444	454,245
Board of Education	68,668	-	-	68,668
Administration	1,831,513	-	-	1,831,513
Fiscal	629,689	16,573	-	646,262
Business	38,321	-	-	38,321
Operation and maintenance of plant	1,162,294	48,940	291,949	1,503,183
Pupil transportation	2,185,800	-	72,683	2,258,483
Central	216,272	-	159,279	375,551
Non-instructional services:				
Extracurricular activities	40,968	-	549,874	590,842
Community service	8,550	-	159,682	168,232
Food service	-	-	1,364,836	1,364,836
Capital outlay	-	1,265,255	-	1,265,255
Debt Service:				
Principal	-	605,000	-	605,000
Interest and fiscal charges	-	112,453	-	112,453
Total expenditures	16,526,780	2,049,721	4,583,652	23,160,153
Excess (deficiency) of revenue over (under) expenditures	3,778,843	(847,504)	(627,495)	2,303,844
Other financing sources (uses):				
Transfers in	-	1,355,000	725,297	2,080,297
Transfers out	(2,080,297)	-	-	(2,080,297)
Total other financing sources (uses)	(2,080,297)	1,355,000	725,297	-
Net change in fund balance	1,698,546	507,496	97,802	2,303,844
Fund balance, beginning of year	10,206,844	1,380,273	1,655,801	13,242,918
Fund balance, end of year	\$ 11,905,390	\$ 1,887,769	\$ 1,753,603	\$ 15,546,762

See accompanying notes.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 2,303,844

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However,

over their estimated useful lives as depreciation expense:

Capital asset additions	1,498,931	
Depreciation expense	<u>(601,190)</u>	897,741

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated absences	(28,596)	
Interest on long-term debt	<u>1,563</u>	(27,033)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(113,427)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows:

Pension	1,456,434	
OPEB	<u>62,231</u>	1,518,665

Except for amounts reported as deferred outflows or inflows of resources, changes in the net pension and OPEB liabilities and net OPEB asset reported as pension expense and negative OPEB expense in the statement of activities:

Pension	(1,611,703)	
OPEB	<u>291,581</u>	(1,320,122)

Repayment of lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

605,000

Change in Net Position of Governmental Activities \$ 3,864,668

See accompanying notes.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2023

	<u>Private Purpose Trust</u>
ASSETS	
Equity in pooled cash and investments	<u>\$ 90,189</u>
NET POSITION	
Held in trust	<u><u>\$ 90,189</u></u>

See accompanying notes.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2023

	<u>Private- Purpose Trust</u>
Additions:	
Contributions	\$ <u>21,573</u>
Deductions:	
Community gifts, awards and scholarships	<u>20,796</u>
Change in net position	777
Net position, beginning of year	<u>89,412</u>
Net position, end of year	<u>\$ <u>90,189</u></u>

See accompanying notes.

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CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

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 1,300 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, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the Hamilton Clermont Cooperative Information Technology Center, 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 12 and 13 to the basic financial statements.

B. Basis of Presentation

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial 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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and deferred inflows of resources are generally included on the balance sheet.

Operating statements of these funds present sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

C. Fund Accounting

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

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

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.

Permanent Improvement Fund – The permanent improvement fund is used to account for inside tax millage and lease purchase proceeds restricted for the acquisition, construction, or improvement of equipment and school facilities.

Fiduciary Funds report on net position and changes in net position. The School District's fiduciary funds consist of a private-purpose trust fund. 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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Inflows of Resources. In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, other postemployment benefits (OPEB) and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, income taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 7 and 8).

Deferred Outflows of Resources. In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 7 and 8.

E. Cash and Investments

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements. During fiscal year 2023, the School District's investments included STAR Ohio, commercial paper, U.S. Agencies, U.S. Treasury Notes, brokered certificates of deposit and a money market fund.

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 has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at June 30, 2023, which approximates fair value.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For fiscal year 2023, there were no limitations or restrictions on any participants withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

The Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement. The School District records its investments held at June 30, 2023 at fair value. In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, money market investments are reported at amortized cost.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to 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 and Prepaid Items

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 consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements.

Reported material and supplies inventory and prepaid items are equally offset by a nonspendable fund balance in the governmental funds, which indicates that they do not constitute available expendable resources even though they are 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 acquisition values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Buildings and building improvements	25-40 years
Land improvements	20 years
Equipment and furniture other than vehicles	5-20 years
Vehicles	8 years

H. Interfund Balances

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 net position.

I. 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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

K. Pensions/Other Postemployment Benefits (OPEB)

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

L. 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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

M. Net Position

Net position represents assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. 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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

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, by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution or by the Ohio Pooled Collateral System (OPCS) maintained by the Treasurer of State.

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);

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2. DEPOSITS AND INVESTMENTS (continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days (for banker's acceptances) or two hundred and seventy days (for commercial paper) in a combined amount not to exceed forty 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*:

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 \$628,915 was covered by the Federal Depository Insurance Corporation or collateralized by the OPCS.

Investments

The School District's investments at June 30, 2023 are as summarized as follows:

	Balance at 6/30/23	Average Maturity Years	Concentration of Credit Risk	Fair Value Level
U.S. Agency	\$ 603,332	1.67	4.8%	Level 2
U.S. Treasury Notes	522,835	0.95	4.2%	Level 1
Commercial Paper	1,621,115	0.37	12.9%	Level 2
Brokered CD's	214,785	1.59	1.7%	Level 2
STAR Ohio	9,574,787	0.11	76.1%	n/a
U.S. Money Market Fund	37,925	0.04	0.3%	n/a
	<u>\$ 12,574,779</u>			

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2. DEPOSITS AND INVESTMENTS (continued)

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 Standard & Poor's ratings for the School District's investment in: U.S. Agency securities was AA+; commercial paper was A-1 to A-1+; and STAR Ohio and money market fund was AAAM.

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.

Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District's recurring fair value measurements, as of June 30, 2023, are valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors (Level 2 inputs). As previously discussed, STAR Ohio is reported at its net asset value per share and money market funds are valued at amortized cost.

3. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of the prior January 1, 2022, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

3. PROPERTY TAXES (continued)

If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property taxes revenue received in calendar year 2023 represent collections of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2023 became a lien on December 31, 2021, were levied after April 1, 2022 and are collected in calendar year 2023 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Clermont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2023 are available to finance fiscal year 2023 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes, which became measurable as of June 30, 2023. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2023 was \$2,359,293 in the General Fund and \$343,971 in the Permanent Improvement Fund.

The assessed values upon which fiscal year 2023 taxes were collected are:

	<u>2022 Second- Half Collections</u>		<u>2023 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 344,055,000	95.92%	\$ 347,017,860	95.99%
Public Utility and Tangible Personal Property	<u>14,627,940</u>	4.08%	<u>14,484,830</u>	4.01%
Total Assessed Value	<u>\$ 358,682,940</u>	100.00%	<u>\$ 361,502,690</u>	100.00%
Tax rate per \$1,000 of assessed valuation	\$33.50		\$33.50	

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows:

	Balance 7/1/22	Additions	Disposals	Balance 6/30/23
Governmental Activities				
Nondepreciable:				
Land	\$ 2,024,809	\$ -	\$ -	\$ 2,024,809
Subtotal	<u>2,024,809</u>	<u>-</u>	<u>-</u>	<u>2,024,809</u>
Depreciable:				
Land improvements	2,510,019	32,921	-	2,542,940
Buildings and improvements	14,808,443	1,310,706	-	16,119,149
Equipment and furniture	3,830,951	155,304	(14,424)	3,971,831
Vehicles	119,969	-	-	119,969
Subtotal	<u>21,269,382</u>	<u>1,498,931</u>	<u>(14,424)</u>	<u>22,753,889</u>
Totals at historical cost	<u>23,294,191</u>	<u>1,498,931</u>	<u>(14,424)</u>	<u>24,778,698</u>
Less accumulated depreciation:				
Land improvements	(1,867,509)	(96,424)	-	(1,963,933)
Buildings and improvements	(8,998,679)	(424,629)	-	(9,423,308)
Equipment and furniture	(3,120,775)	(76,591)	14,424	(3,182,942)
Vehicles	(92,014)	(3,546)	-	(95,560)
Total accumulated depreciation	<u>(14,078,977)</u>	<u>(601,190)</u>	<u>14,424</u>	<u>(14,665,743)</u>
Capital assets, net	<u>\$ 9,215,214</u>	<u>\$ 897,741</u>	<u>\$ -</u>	<u>\$ 10,112,955</u>

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

4. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Instruction:			
Regular		\$	269,000
Special and other			2,989
Support services:			
Pupil			403
Instructional staff			3,805
Administration			1,469
Operation and maintenance of plant			291,549
Pupil transportation			519
Extracurricular activities			24,314
Food service			<u>7,142</u>
Total depreciation expense		\$	<u>601,190</u>

5. INTERFUND TRANSACTIONS

Interfund transactions for the fiscal year ended June 30, 2023 consisted of the following:

	Interfund		Transfers	
	Receivables	Payables	In	Out
General Fund	\$ 29,761	\$ -	\$ -	\$ 2,080,297
Permanent Improvement Fund	-	-	1,355,000	-
Other Governmental Funds	-	29,761	725,297	-
	<u>\$ 29,761</u>	<u>\$ 29,761</u>	<u>\$ 2,080,297</u>	<u>\$ 2,080,297</u>

The interfund loans were made to provide operating capital. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or (2) use unrestricted revenues collected in the general fund to finance various programs and capital improvements 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 2023, 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, 2023

6. RISK MANAGEMENT (continued)

For fiscal year 2023, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). 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 ensures 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 2023, the School District participated in the Clermont County Health Trust (the Trust), a group insurance purchasing pool (Note 13), 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

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS (continued)

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for contractually-required pension contributions outstanding at the end of the fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy – 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 by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, and Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the 14% was allocated to only three of the funds (Pension Trust Fund, Death Benefit Fund and Medicare B Fund).

The School District's contractually required contribution to SERS was \$342,848 for fiscal year 2023.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. The calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. For members who were eligible to retire on July 1, 2015, the annual benefit is the greater of the benefit amount calculated upon retirement under the new benefit formula or the frozen benefit amount as of July 1, 2015. Effective August 1, 2021 to July 1, 2023, any member can retire with unreduced benefits with 34 years of service credit at any age or 5 years of service credit and age 65. Retirement eligibility for reduced benefits is 30 years of service credit at any age; or 29 years of service credit and age 55; or 5 years of service credit and age 60. Effective on or after August 1, 2023, any member can retire with unreduced benefits with 35 years of service credit at any age or 5 years of service credit at age 65. Retirement eligibility for reduced benefits is 30 years of service credit at any age or 5 years of service credit and age 60.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS (continued)

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liabilities. Effective July 1, 2022, 2.91% of salaries are used to pay for unfunded liabilities. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CO Plan offers features of both the DB Plan and the DC Plan. In the CO Plan, 12% of the 14% member rate is deposited into the member's DC account and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the CO Plan payment is payable to a member on or after age 60 with 5 years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

New members who choose the DC Plan or CO Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CO Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DB or CO Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance.

Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2023, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2023 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,113,586 for fiscal year 2023. Of this amount, \$188,680 is reported as an intergovernmental payable.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for Pensions

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 4,658,847	\$ 13,244,008	\$ 17,902,855
Proportion of the Net Pension Liability	0.0861%	0.0596%	
Change in Proportionate Share	-0.0003%	-0.0025%	
Pension Expense	\$ 158,073	\$ 1,453,630	\$ 1,611,703

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 188,687	\$ 169,541	\$ 358,228
Net difference between projected and actual earnings on pension plan investments	-	460,862	460,862
Change in assumptions	45,970	1,584,909	1,630,879
Change in School District's proportionate share and difference in employer contributions	-	13,546	13,546
School District's contributions subsequent to the measurement date	342,848	1,113,586	1,456,434
Total Deferred Outflows of Resources	<u>\$ 577,505</u>	<u>\$ 3,342,444</u>	<u>\$ 3,919,949</u>

Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 30,584	\$ 50,663	\$ 81,247
Net difference between projected and actual earnings on pension plan investments	162,572	-	162,572
Change in assumptions	-	1,192,983	1,192,983
Change in School District's proportionate share and difference in employer contributions	151,633	323,138	474,771
Total Deferred Inflows of Resources	<u>\$ 344,789</u>	<u>\$ 1,566,784</u>	<u>\$ 1,911,573</u>

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS (continued)

\$1,456,434 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2024	\$ (67,202)	\$ (71,635)	\$ (138,837)
2025	(80,861)	(163,275)	(244,136)
2026	(232,238)	(446,173)	(678,411)
2027	270,169	1,343,157	1,613,326
	<u>\$ (110,132)</u>	<u>\$ 662,074</u>	<u>\$ 551,942</u>

Actuarial Assumptions - SERS

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

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

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

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS (continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

Inflation	2.40%
Future Salary Increases, including Inflation	3.25% to 13.58%
COLA or Ad Hoc COLA	2.00%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following retirement
Investment Rate of Return	7.00% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Health Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Mortality among contingent survivors were based upon the PUB-2010 General Amount Weighed Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. The PUB-2010 General Amount Weighted Below Median Employee mortality table was used for active members. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2015 to June 30, 2020 adopted by the Board on April 15, 2021.

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

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	(0.45%)
U.S. Equity	24.75%	5.37%
Non-U.S. Equity Developed	13.50%	6.22%
Non-U.S. Equity Emerging	6.75%	8.22%
Fixed Income/Global Bonds	19.00%	1.20%
Private Equity	11.00%	10.05%
Real Estate/Real Assets	16.00%	4.87%
Multi-Asset Strategy	4.00%	3.39%
Private Debt/Private Credit	3.00%	5.38%
	100.00%	

Discount Rate – Total pension liability was calculated using the discount rate of 7.0%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.0%). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.0%, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%), or one percentage point higher (8.0%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$6,857,602	\$4,658,847	\$2,806,428

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Varies by service from 2.5% to 8.5%
Payroll increases	3.00%
Investment rate of return	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%
Cost-of-living adjustments (COLA)	0%

Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021. For healthy retirees, the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table, adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020. The actuarial assumptions used in the June 30, 2022 valuation are based on the results of the latest available actual experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Rate of Return**</u>
Domestic Equity	26.00%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	1.00%	1.00%
	<u>100.00%</u>	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

** 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.0% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.0% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.0%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.0%) or one-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$20,006,874	\$13,244,008	\$7,524,717

Social Security System

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

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Net OPEB Liability (Asset)

The net OPEB liability (asset) reported on the statement of net position represents a liability to (or assets for) employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (continued)

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability (asset). Resulting adjustments to the net OPEB liability (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* or fully-funded benefits as a long-term *net OPEB asset* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description—SERS' Health Care program provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986 need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and, therefore, enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (continued)

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, there was no portion allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, the minimum compensation amount was \$25,000. 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 2023, the School District’s surcharge obligation was \$62,231.

Plan Description - State Teachers Retirement System (STRS)

Plan Description—The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS Board to offer this plan.

Coverage under the current program includes hospitalization, physicians’ fees and prescription drugs and partial reimbursement of the monthly Medicare Part B premiums. Pursuant to 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 the Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy—Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, 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, currently 14% of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (continued)

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,229,500	\$ (1,542,643)	\$ (313,143)
Proportion of the Net OPEB Liability (Asset)	0.0876%	0.0596%	
Change in Proportionate Share (Negative) OPEB Expense	\$ (37,618)	\$ (253,963)	\$ (291,581)

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 10,335	\$ 22,363	\$ 32,698
Net difference between projected and actual earnings on OPEB plan investments	6,391	26,854	33,245
Change in assumptions	195,567	65,712	261,279
Change in School District's proportionate share and difference in employer contributions	189,410	40,496	229,906
School District's contributions subsequent to the measurement date	62,231	-	62,231
Total Deferred Outflows of Resources	<u>\$ 463,934</u>	<u>\$ 155,425</u>	<u>\$ 619,359</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 786,479	\$ 231,677	\$ 1,018,156
Change in assumptions	504,720	1,093,882	1,598,602
Change in School District's proportionate share and difference in employer contributions	54,971	1,258	56,229
Total Deferred Inflows of Resources	<u>\$ 1,346,170</u>	<u>\$ 1,326,817</u>	<u>\$ 2,672,987</u>

\$62,231 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ending June 30, 2024.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (continued)

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2024	\$ (200,911)	\$ (329,792)	\$ (530,703)
2025	(194,007)	(335,596)	(529,603)
2026	(173,324)	(165,206)	(338,530)
2027	(123,583)	(68,911)	(192,494)
2028	(95,680)	(89,861)	(185,541)
2029-2031	(156,962)	(182,026)	(338,988)
	<u>\$ (944,467)</u>	<u>\$ (1,171,392)</u>	<u>\$ (2,115,859)</u>

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS’ actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

Investment Rate of Return	7.00% net of investment expense, including inflation
Wage Inflation	2.40%
Future Salary Increases, including Inflation	3.25% to 13.58%
Municipal Bond Index Rate:	
Current measurement period	3.69%
Prior measurement period	1.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Current measurement period	4.08%
Prior measurement period	2.27%
Medical Trend Assumption	7.00% - 4.40%

Mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Health Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Mortality among contingent survivors were based upon the PUB-2010 General Amount Weighed Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. The PUB-2010 General Amount Weighted Below Median Employee mortality table was used for active members. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2015 to June 30, 2020 adopted by the Board on April 15, 2021.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	(0.45%)
U.S. Equity	24.75%	5.37%
Non-U.S. Equity Developed	13.50%	6.22%
Non-U.S. Equity Emerging	6.75%	8.22%
Fixed Income/Global Bonds	19.00%	1.20%
Private Equity	11.00%	10.05%
Real Estate/Real Assets	16.00%	4.87%
Multi-Asset Strategy	4.00%	3.39%
Private Debt/Private Credit	3.00%	5.38%
	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 1.5% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and no contributions from basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2044. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2043 and the Municipal Bond Index rate of 3.69% as of June 30, 2022 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability calculated using the discount rate of 4.08%, as well as what the School District’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.08%) and one percentage point higher (5.08%) than the current rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
School District's proportionate share of the net OPEB liability	\$1,527,058	\$1,229,500	\$989,291

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District’s net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.00% decreasing to 3.40%) and one percentage point higher (8.00% decreasing to 5.40%) than the current rates.

	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rates (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$948,165	\$1,229,500	\$1,596,969

Actuarial Assumptions - STRS

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	Varies by service from 2.5% to 8.5%	
Payroll increases	3.0%	
Investment rate of return	7.0%, net of investment expenses, including inflation	
Discount rate of return	7.0%	
Health care cost trends	<u>Initial</u>	<u>Ultimate</u>
Medical		
Pre-Medicare	7.50%	3.94%
Medicare	-68.78%	3.94%
Prescription Drug		
Pre-Medicare	9.00%	3.94%
Medicare	-5.47%	3.94%

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (continued)

For healthy retirees, the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table, adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

The actuarial assumptions used in the June 30, 2022 valuation are based on the results of the latest available actual experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation*	Long-Term Expected Rate of Return*
Domestic Equity	26.00%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	1.00%	1.00%
	100.00%	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

** 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate – The discount rate used to measure the total OPEB liability was 7.0% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on OPEB plan assets of 7.0% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB (Asset) to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the School District's proportionate share of the net OPEB (asset) calculated using the current period discount rate assumption of 7.00%, as well as what the School District's proportionate share of the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) and one percentage point higher (8.00%) than the current rate. Also shown is the net OPEB (asset) as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB (asset)	(\$1,426,133)	\$ (1,542,643)	(\$1,642,444)

	1% Decrease Trend Rates	Current Trend Rates	1% Increase Trend Rates
School District's proportionate share of the net OPEB (asset)	(\$1,600,096)	\$ (1,542,643)	(\$1,470,122)

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.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

10. LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Balance Outstanding 7/1/22	Additions	Reductions	Balance Outstanding 6/30/23	Due Within One Year
<i>Direct borrowing:</i>					
Lease-purchase agreement	\$ 3,930,000	\$ -	\$ (605,000)	\$ 3,325,000	\$ 625,000
Compensated absences	<u>748,559</u>	<u>235,345</u>	<u>(244,929)</u>	<u>738,975</u>	<u>220,755</u>
Total	<u>\$ 4,678,559</u>	<u>\$ 235,345</u>	<u>\$ (849,929)</u>	<u>\$ 4,063,975</u>	<u>\$ 845,755</u>

On March 29, 2018, the School District entered into a lease-purchase agreement with the Branch Banking and Trust Company for \$6,000,000 to finance various equipment acquisition and facilities improvements. The lease purchase agreement bears an interest rate of 3.1% and will mature on December 1, 2027.

Compensated absences will be paid from the fund from which the employees' salaries are paid.

Principal and interest requirements to retire the lease purchase agreement balance outstanding at June 30, 2023 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	625,000	93,387	718,387
2025	645,000	73,703	718,703
2026	665,000	53,398	718,398
2027	685,000	32,473	717,473
2028	705,000	10,928	715,928
Total	<u>\$ 3,325,000</u>	<u>\$ 263,889</u>	<u>\$ 3,588,889</u>

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

11. FUND BALANCES

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

Fund Balances	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Inventory	\$ 2,568	\$ -	\$ 11,224	\$ 13,792
Prepaid items	18,681	-	1,438	20,119
<i>Total Nonspendable</i>	<u>21,249</u>	<u>-</u>	<u>12,662</u>	<u>33,911</u>
<i>Restricted for</i>				
Food Service Operations	-	-	1,133,007	1,133,007
Athletics and students	-	-	551,644	551,644
Auxiliary Schools	-	-	31,068	31,068
State Grant Programs	-	-	129,664	129,664
Federal Grant Programs	-	-	-	-
Capital Improvements and Debt Service	-	1,887,769	-	1,887,769
<i>Total Restricted</i>	<u>-</u>	<u>1,887,769</u>	<u>1,845,383</u>	<u>3,733,152</u>
<i>Committed to</i>				
Termination Benefits	505,569	-	-	505,569
<i>Assigned to</i>				
Public School Support	64,883	-	-	64,883
Encumbrances	149,792	-	-	149,792
Budget Resource	1,312,155	-	-	1,312,155
<i>Total Assigned</i>	<u>1,526,830</u>	<u>-</u>	<u>-</u>	<u>1,526,830</u>
<i>Unassigned (Deficit)</i>	<u>9,851,742</u>	<u>-</u>	<u>(104,442)</u>	<u>9,747,300</u>
<i>Total Fund Balance</i>	<u>\$ 11,905,390</u>	<u>\$ 1,887,769</u>	<u>\$ 1,753,603</u>	<u>\$ 15,546,762</u>

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

11. FUND BALANCES (continued)

At June 30, 2023, the following funds had a deficit fund balance:

Other Governmental Funds:	
Special Education IDEA-B Fund	\$ 10,185
Title I, Part A Fund	3,669
Title I, Disadvantaged Children Fund	20,127
Miscellaneous Federal Grant Fund	70,461

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

12. JOINTLY GOVERNED ORGANIZATIONS

The Hamilton Clermont Cooperative Information Technology Center

The Hamilton Clermont Cooperative Information Technology Center (HCC) is a jointly governed organization among a two-county consortium of school districts. HCC 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 executive committee is the managerial body responsible for directing and supervising the daily operation of HCC. The executive committee is composed of up to 12 members; two superintendents from each county, the superintendent from each county educational service center (ESC), one treasurer from each county, and the treasurer from each county ESC serving as non-voting ex officio members. To obtain financial information, write to HCC at 1007 Cottonwood Drive, Loveland, Ohio 45140.

The Great Oaks Institute of Technology and Career Development

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

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

13. INSURANCE PURCHASING POOLS

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

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

The Clermont County Health Trust

The Clermont County Health Trust (the Trust), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. The School District pays premiums to a third-party administrator which in turns buys the insurance policies from various insurance companies.

Upon termination, the School District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The School District may terminate participation in the Trust for the benefit of its employees upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained from the Clermont County Health Trust at P. O. Box 526, Middletown, Ohio 45042.

14. CONTINGENCIES

Federal and State Funding

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2023, if applicable, cannot be determined at this time.

Litigation

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

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

14. CONTINGENCIES (continued)

School Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The final adjustment was not material and is not reflected in the accompanying financial statements.

15. COMMITMENTS

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance to the extent fund balance is available. At fiscal year-end, the School District’s commitments for encumbrances in the governmental funds were as follows:

General Fund	\$ 258,059
Permanent Improvement Fund	620,196
Other Governmental Funds	914,328
	<u>\$ 1,172,387</u>

16. REQUIRED SET-ASIDES

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

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

	<u>Capital</u>
	<u>Improvements</u>
Set-aside reserve balance June 30, 2022	\$ -
Current year set-aside requirement	312,093
Current year offsets	<u>(951,986)</u>
Total	<u>(639,893)</u>
Set-aside reserve balance June 30, 2023	\$ <u>-</u>

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

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, 2023, the School District recorded income tax revenue of \$4,711,439 in the entity-wide financials and a receivable as of June 30, 2023 of \$2,048,787.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$11,055,300	\$11,637,575	\$ 11,637,575	\$ -
Tuition and fees	665,000	557,621	557,621	-
Interest	10,000	331,896	397,475	65,579
Intergovernmental	6,903,500	7,024,510	7,059,437	34,927
Other local revenues	336,600	373,013	373,475	462
Total revenues	<u>18,970,400</u>	<u>19,924,615</u>	<u>20,025,583</u>	<u>100,968</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,611,485	6,225,209	6,158,702	66,507
Special education	2,476,761	2,474,279	2,423,965	50,314
Other instruction	503,177	355,430	355,278	152
Support services:				
Pupil	1,243,482	1,177,633	1,175,818	1,815
Instructional staff	470,589	251,920	246,539	5,381
Board of Education	92,445	67,943	67,943	-
Administration	1,787,041	1,795,690	1,794,131	1,559
Fiscal	613,584	631,882	631,127	755
Business	35,407	38,321	38,321	-
Operation and maintenance of plant	1,296,608	1,284,681	1,233,728	50,953
Pupil transportation	2,398,574	2,481,734	2,318,434	163,300
Central	168,594	172,028	171,110	918
Non-instructional services:				
Community services	1,455	7,750	6,750	1,000
Extracurricular activities	51,509	25,624	25,624	-
Total expenditures	<u>17,750,711</u>	<u>16,990,124</u>	<u>16,647,470</u>	<u>342,654</u>
Excess of revenue over expenditures	1,219,689	2,934,491	3,378,113	443,622
Other financing sources (uses):				
Transfers in	500,000	-	-	-
Transfers out	(1,500,000)	(2,432,097)	(2,432,097)	-
Other financing sources	1,000	97,321	97,321	-
Other financing uses	(791,000)	(90,296)	-	90,296
Advances in	300,000	1,286	1,286	-
Advances out	-	(50,000)	(29,761)	20,239
Total other financing sources (uses)	<u>(1,490,000)</u>	<u>(2,473,786)</u>	<u>(2,363,251)</u>	<u>110,535</u>
Change in fund balance	(270,311)	460,705	1,014,862	\$ 554,157
Fund balance, beginning of year	6,592,662	6,592,662	6,592,662	
Prior year encumbrances appropriated	297,361	297,361	297,361	
Fund balance, end of year	<u>\$ 6,619,712</u>	<u>\$ 7,350,728</u>	<u>\$ 7,904,885</u>	

See accompanying notes to required supplementary information.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Required Supplementary Information

Schedules of School District's Proportionate Share of the Net Pension Liability
and School District Pension Contributions

School Employees Retirement System of Ohio

Measurement Date Fiscal Year (1)	School District's Proportion of the Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0763%	\$ 4,539,041	\$ 1,709,545	265.51%	65.52%
2015	0.0763%	3,862,967	2,240,375	172.43%	71.70%
2016	0.0760%	4,333,781	2,988,900	145.00%	69.16%
2017	0.0758%	5,544,135	2,142,414	258.78%	62.98%
2018	0.0775%	4,631,176	2,241,636	206.60%	69.50%
2019	0.0760%	4,351,628	1,819,244	239.20%	71.36%
2020	0.0803%	4,805,558	1,687,267	284.81%	70.85%
2021	0.0850%	5,620,019	1,652,057	340.18%	68.55%
2022	0.0864%	3,188,704	1,736,857	183.59%	82.86%
2023	0.0861%	4,658,847	1,907,229	244.27%	75.82%

(1) Amounts presented for each year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 310,516	\$ (310,516)	\$ -	\$ 2,240,375	13.86%
2015	393,937	(393,937)	-	2,988,900	13.18%
2016	299,938	(299,938)	-	2,142,414	14.00%
2017	313,829	(313,829)	-	2,241,636	14.00%
2018	245,598	(245,598)	-	1,819,244	13.50%
2019	227,781	(227,781)	-	1,687,267	13.50%
2020	231,288	(231,288)	-	1,652,057	14.00%
2021	243,160	(243,160)	-	1,736,857	14.00%
2022	267,012	(267,012)	-	1,907,229	14.00%
2023	342,848	(342,848)	-	2,448,914	14.00%

See Notes to Required Supplementary Information.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Required Supplementary Information

Schedules of School District's Proportionate Share of the Net Pension Liability

and School District Pension Contributions

State Teachers Retirement System of Ohio

Measurement Date Fiscal Year (1)	School District's Proportion of the Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0584%	\$ 16,930,285	\$ 7,071,515	239.42%	69.30%
2015	0.0584%	14,212,877	6,429,462	221.06%	74.70%
2016	0.0592%	16,353,194	7,112,721	229.91%	72.09%
2017	0.0593%	19,863,968	7,756,407	256.10%	66.78%
2018	0.0608%	14,445,093	8,338,064	173.24%	75.30%
2019	0.0630%	13,857,712	7,228,857	191.70%	77.30%
2020	0.0634%	14,010,368	7,473,307	187.47%	77.40%
2021	0.0620%	15,002,888	8,194,300	183.09%	75.50%
2022	0.0621%	7,940,955	7,367,207	107.79%	87.80%
2023	0.0596%	13,244,008	9,056,593	146.24%	78.90%

(1) Amounts presented for each year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 835,830	\$ (835,830)	\$ -	\$ 6,429,462	13.00%
2015	995,781	(995,781)	-	7,112,721	14.00%
2016	1,085,897	(1,085,897)	-	7,756,407	14.00%
2017	1,167,329	(1,167,329)	-	8,338,064	14.00%
2018	1,012,040	(1,012,040)	-	7,228,857	14.00%
2019	1,046,263	(1,046,263)	-	7,473,307	14.00%
2020	1,147,202	(1,147,202)	-	8,194,300	14.00%
2021	1,031,409	(1,031,409)	-	7,367,207	14.00%
2022	1,267,923	(1,267,923)	-	9,056,593	14.00%
2023	1,113,586	(1,113,586)	-	7,954,186	14.00%

See Notes to Required Supplementary Information.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedules of School District's Proportionate Share of the Net OPEB Liability
 and School District OPEB Contributions
 School Employees Retirement System of Ohio

Measurement Date Fiscal Year (1)(2)	School District's Proportion of the Net OPEB Liability	School District's Proportionate Share of the Net OPEB Liability	School District's Covered Payroll	School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0762%	\$ 2,172,202	\$ 2,142,414	101.39%	11.49%
2018	0.0779%	2,090,634	2,241,636	93.26%	12.46%
2019	0.0762%	2,113,594	1,819,244	116.18%	13.57%
2020	0.0812%	2,041,544	1,687,267	121.00%	15.57%
2021	0.0875%	1,900,843	1,652,057	115.06%	18.17%
2022	0.0885%	1,675,357	1,736,857	96.46%	24.08%
2023	0.0876%	1,229,500	1,907,229	64.47%	30.34%

(1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Fiscal Year (3)	Contractually Required Contributions (4)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 36,176	\$ (36,176)	\$ -	\$ 2,142,414	1.69%
2017	38,957	(38,957)	-	2,241,636	1.74%
2018	46,264	(46,264)	-	1,819,244	2.54%
2019	52,697	(52,697)	-	1,687,267	3.12%
2020	52,831	(52,831)	-	1,652,057	3.20%
2021	54,145	(54,145)	-	1,736,857	3.12%
2022	54,615	(54,615)	-	1,907,229	2.86%
2023	62,231	(62,231)	-	2,448,914	2.54%

(3) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(4) Includes Surcharge.

See Notes to Required Supplementary Information.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedules of School District's Proportionate Share of the Net OPEB Liability/(Asset)
 and School District OPEB Contributions
 State Teachers Retirement System of Ohio

Measurement Date Fiscal Year (1)(2)	School District's Proportion of the Net OPEB Liability/(Asset)	School District's Proportionate Share of the Net OPEB Liability/(Asset)	School District's Covered Payroll	School District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0593%	\$ 3,173,691	\$ 7,756,407	40.92%	37.3%
2018	0.0608%	2,372,507	8,338,064	28.45%	47.1%
2019	0.0630%	(1,012,742)	7,228,857	(14.01%)	176.0%
2020	0.0634%	(1,049,294)	7,473,307	(14.04%)	174.7%
2021	0.0620%	(1,089,729)	8,194,300	(13.30%)	182.1%
2022	0.0621%	(1,309,479)	7,367,207	(17.77%)	174.7%
2023	0.0596%	(1,542,643)	9,056,593	(17.03%)	230.7%

- (1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.
- (2) Amounts presented for each year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Fiscal Year (3)	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ -	\$ -	\$ -	\$ 7,756,407	0.00%
2017	-	-	-	8,338,064	0.00%
2018	-	-	-	7,228,857	0.00%
2019	-	-	-	7,473,307	0.00%
2020	-	-	-	8,194,300	0.00%
2021	-	-	-	7,367,207	0.00%
2022	-	-	-	9,056,593	0.00%

- (3) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

See Notes to Required Supplementary Information.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2023

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 and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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

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

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

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ 1,698,546
Increase / (decrease):	
Due to inclusion of the Preschool Fund	(72,375)
Due to inclusion of the Termination Benefits Fund	58,705
Due to inclusion of the Public School Support Fund	15,427
Due to revenues	(157,128)
Due to expenditures	(337,300)
Due to other sources (uses)	67,046
Due to encumbrances	<u>(258,059)</u>
Net change in fund balance - Budget Basis	\$ <u>1,014,862</u>

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Required Supplementary Information
Notes to Required Supplementary Information
School Employees Retirement System of Ohio

Notes to Pension Information

Changes of Benefit Terms

For measurement period 2017, the COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.50% with a floor of 0.0% beginning January 1, 2018. In addition, with the authority granted to the Board under Ohio House Bill 49, the Board enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

For measurement period 2018, with the authority granted to the Board under Ohio Senate Bill 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

Changes of Assumptions

For measurement period 2016, the assumed rate of inflation was reduced from 3.25% to 3.00%, the payroll growth assumption was reduced from 4.00% to 3.50%, the assumed real wage growth was reduced from 0.75% to 0.50%, the rates of withdrawal, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries, and disabled members were updated.

For measurement period 2020, the assumed rate of inflation was reduced from 3.00% to 2.40%, the assumed real wage growth was increased from 0.50% to 0.85%, the cost-of-living adjustments were reduced from 2.50% to 2.00%, the discount rate was reduced from 7.50% to 7.00%, the rates of withdrawal, compensation, participation, spouse coverage assumption, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries and disabled members were updated.

For measurement period 2022, the cost-of-living-adjustments were increased from 2.00% to 2.5%.

Notes to OPEB Information

Changes of Benefit Terms

None noted.

Changes of Assumptions

For measurement period 2016, the assumed rate of inflation was reduced from 3.25% to 3.00%, the payroll growth assumption was reduced from 4.00% to 3.50%, the assumed real wage growth was reduced from 0.75% to 0.50%, the rates of withdrawal, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries, and disabled members were updated.

For measurement period 2020, the assumed rate of inflation was reduced from 3.00% to 2.40%, the assumed real wage growth was increased from 0.50% to 0.85%, the cost-of-living adjustments were reduced from 2.50% to 2.00%, the discount rate was reduced from 7.50% to 7.00%, the rates of withdrawal, compensation, participation, spouse coverage assumption, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries and disabled members were updated.

For measurement period 2022, the discount rate was changed from 2.27% to 4.08%, and the healthcare trend rates were updated.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Required Supplementary Information
Notes to Required Supplementary Information
State Teachers Retirement System of Ohio

Notes to Pension Information

Changes of Benefit Terms

For measurement period 2017, the COLA was reduced to zero.

For measurement period 2022, a on-time ad-hoc COLA of 3% of the base benefit was granted to eligible recipients, to begin in fiscal year 2023 for those who retired prior to July 1, 2018.

Changes of Assumptions

For the measurement period 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The health and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

For measurement period 2021, the discount rate was adjusted to 7.00% from 7.45%.

For measurement period 2022, demographic assumptions were updated as part of an experience study performed for the five year period ended June 30, 2021.

Notes to OPEB Information

Changes of Benefit Terms

For the measurement period 2017, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

For the measurement period 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For the measurement period 2019, there was no change to the claims cost process. Claims curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For measurement year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2021 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For measurement year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.10%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

For measurement year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2023 from 2.1% to 2.2%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2023. The Medicare Part B reimbursement was increased from \$29.90 to \$30 and all retirees and surviving spouses are now eligible for Part B reimbursement.

CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
Required Supplementary Information
Notes to Required Supplementary Information
State Teachers Retirement System of Ohio
(continued)

Notes to OPEB Information (continued)

Changes of Assumptions

For measurement year 2017, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trends were modified along with the portion of rebated prescription drug costs.

For measurement year 2018, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74. Valuation year per capita health care costs were updated.

For measurement year 2021, the discount rate was adjusted to 7.00% from 7.45%.

For measurement period 2022, demographic assumptions were updated as part of an experience study performed for the five year period ended June 30, 2021.

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through The Ohio Department of Education:</i>		
Child Nutrition Cluster:		
National School Breakfast Program	10.553	\$ 183,700
Total National School Breakfast Program		<u>183,700</u>
National School Lunch Program	10.555	351,684
National School Lunch Program Noncash	10.555	69,053
COVID-19 National School Lunch Program	10.555	41,546
Total National School Lunch Program		<u>462,283</u>
Total Child Nutrition Cluster		<u>645,983</u>
COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grants	10.649	628
Total U.S. Department of Agriculture		<u>646,611</u>
U.S. DEPARTMENT OF TREASURY		
<i>Passed Through The Ohio Office of Budget and Management:</i>		
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	60,026
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds		<u>60,026</u>
Total U.S. Department of Treasury		<u>60,026</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through The Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies	84.010	379,097
Total Title I Grants to Local Educational Agencies		<u>379,097</u>
Special Education Cluster (IDEA):		
Special Education Grants to States	84.027	305,703
COVID-19 Special Education Grants to States - Restoration	84.027	62,775
Total Special Education Grants to States		<u>368,478</u>
Special Education Preschool Grant	84.173	10,014
Total Special Education Preschool Grant		<u>10,014</u>
Total Special Education Cluster (IDEA)		<u>378,492</u>
Supporting Effective Instruction State Grants	84.367	30,421
Comprehensive Literacy Development	84.371	636,397
Total Comprehensive Literacy Development		<u>636,397</u>
Student Support and Academic Enrichment Program	84.424	13,315
Total Student Support and Academic Enrichment Program		<u>13,315</u>
COVID-19 Education Stabilization Fund (ESF):		
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	493,666
COVID-19 Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth	84.425W	5,770
Total COVID-19 Education Stabilization Fund (ESF):		<u>499,436</u>
Total U.S. Department of Education		<u>1,937,158</u>
Total Expenditures of Federal Awards		<u>\$ 2,643,795</u>

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Clermont Northeastern Local School District, Clermont County, Ohio (the School District) under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, (the School District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated December 27, 2023.

Report on the Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District’s internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." The signature is written in a cursive, flowing style.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

December 27, 2023



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Board of Education:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited **Clermont Northeastern Local School District’s** (the School District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Clermont Northeastern Local School District’s major federal program for the year ended June 30, 2023. Clermont Northeastern Local School District’s major federal program is identified in the *Summary of Auditor’s Results* section of the accompanying schedule of audit findings.

In our opinion, Clermont Northeastern Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor’s Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The School District’s Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Internal Control Over Compliance (Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

December 27, 2023

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO**

SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster, AL #10.553 & 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/27/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov