

Clermont Northeastern Local School District  
Clermont County, Ohio

Single Audit

July 1, 2009 through June 30, 2010  
Fiscal Years Audited Under GAGAS: 2010



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Clermont Northeastern Local School District, Clermont County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

March 31, 2011

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**Clermont Northeastern Local School District**  
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## Independent Auditor's Report

Members of the Board  
Clermont Northeastern Local School District  
2792 US Route 50  
Batavia, Ohio 45103

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clermont Northeastern Local School District (the District), Clermont County, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

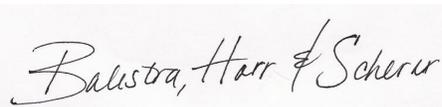
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis and the Budgetary Comparison Schedules for the General Fund and Major Special Revenue Fund are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
February 11, 2011

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2010**

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, 2010. 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 2010 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$6,699,157. Of this amount, \$1,402,668 may be used to meet the government's ongoing obligations to citizens and creditors.
- ✓ In total, net assets decreased by \$70,525.
- ✓ The School District had \$19,099,397 in expenses related to governmental activities; only \$3,356,368 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$15,672,504, made up primarily of property and income taxes and State Foundation payments provided the majority of funding for these programs.
- ✓ The General Fund balance decreased by \$417,661 from \$852,643 at June 30, 2009 to \$434,982 at June 30, 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**  
**Unaudited**

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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. Some funds are required to be established by State law. Also, the School District may also establish separate funds to show that it is meeting legal requirements for using grants or other money.

**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 and Termination Benefits Fund budgets.

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**  
**Unaudited**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**A. Net assets at year-end**

The following table presents a condensed summary of the School District's overall financial position at June 30, 2010 and June 30, 2009:

		<u><b>FY2010</b></u>	<u><b>FY2009</b></u>
Current and other assets	\$	11,026,249	11,722,477
Capital assets		<u>5,112,921</u>	<u>5,323,332</u>
Total assets		<u>16,139,170</u>	<u>17,045,809</u>
Long-term liabilities		2,289,332	2,776,634
Other liabilities		<u>7,150,681</u>	<u>7,499,493</u>
Total liabilities		<u>9,440,013</u>	<u>10,276,127</u>
Net assets:			
Invested in capital assets, net of debt		3,917,921	3,653,332
Restricted:			
For debt service		1,273,492	1,222,214
Other purposes		105,076	148,692
Unrestricted		<u>1,402,668</u>	<u>1,745,444</u>
Total net assets	\$	<u><u>6,699,157</u></u>	<u><u>6,769,682</u></u>

Total assets declined from the prior year by approximately \$907,000. Current and other assets decreased primarily due to expenses outpacing revenues resulting in decreases in cash and investment balances. Capital assets decreased due to the recognition of depreciation on the School District's capital assets.

Total liabilities declined by approximately \$836,000. The decrease in long-term liabilities was primarily due to the School District's required \$475,000 payment on its outstanding general obligation bonds. Other liabilities decreased by \$349,000 primarily due to an increase in property taxes available to advance to the School District at year-end, which reduced unearned revenue.

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**  
**Unaudited**

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**B. Governmental Activities**

The following table presents a condensed summary of the School District's governmental activities during fiscal year 2010 and 2009 and the resulting change in net assets:

	<u><b>FY2010</b></u>	<u><b>FY2009</b></u>
<b>Revenues:</b>		
Program revenues:		
Charges for services and sales	\$ 1,377,407	1,378,781
Operating grants and contributions	1,978,961	1,148,251
Capital grants and contributions	-	24,373
Total program revenues	<u>3,356,368</u>	<u>2,551,405</u>
General revenues:		
Property taxes	6,529,237	5,849,681
Income taxes	2,444,494	2,661,787
Grants and entitlements	6,570,350	6,874,635
Investment earnings	41,952	149,294
Miscellaneous	86,471	91,510
Total general revenues	<u>15,672,504</u>	<u>15,626,907</u>
<b>Total revenues</b>	<u>19,028,872</u>	<u>18,178,312</u>
<b>Expenses:</b>		
Instruction	10,096,863	9,768,109
Support services:		
Pupil	805,179	864,272
Instructional staff	791,336	712,872
Board of Education	53,288	67,580
Administration	1,495,346	1,403,667
Fiscal	471,752	529,784
Business	59,749	52,529
Operation and maintenance of plant	2,008,968	1,722,729
Pupil transportation	1,699,424	1,562,866
Central	296,075	297,196
Non-instructional services	634,530	645,072
Interest and fiscal charges	27,172	45,027
Food services	659,715	690,655
<b>Total expenses</b>	<u>19,099,397</u>	<u>18,362,358</u>
<b>Change in net assets</b>	\$ <u><u>(70,525)</u></u>	<u><u>(184,046)</u></u>

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**  
**Unaudited**

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Of the total governmental activities revenues of \$19,028,872, \$3,356,368 (18%) 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, 57% (\$8,973,731) comes from property and income taxes and 42% (\$6,570,350) is from state funding. The School District's operations are reliant upon its property and income taxes and the state's foundation program.

Total revenues increased by approximately 5%, primarily due to receipt of grant funding under the American Reinvestment and Recovery Act of 2009 (ARRA). This also increased total expenditures by approximately 4% as the School District additional incurred costs to carry out these programs.

***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 18% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$10,096,863 but program revenue contributed to fund 18% of those costs. Thus, general revenues of \$8,301,055 were used to support of remainder of the instruction costs.

**Governmental Activities**

		<b>Total Cost of Services</b>	<b>Program Revenue</b>	<b>Revenues as a % of Total Costs</b>	<b>Net Cost of Services</b>
Instruction	\$	10,096,863	1,795,808	18%	8,301,055
Support services		7,681,117	591,472	8%	7,089,645
Non-instructional services		634,530	259,057	41%	375,473
Food services		659,715	710,031	108%	(50,316)
Interest and fiscal charges		<u>27,172</u>	<u>-</u>	0%	<u>27,172</u>
<b>Total</b>	\$	<u>19,099,397</u>	<u>3,356,368</u>	<u>18%</u>	<u>15,743,029</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, unreserved 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 four major funds: the General Fund, Debt Service Fund, Permanent Improvement Fund, and Termination Benefits Fund. Assets of these fund comprise \$10,558,375 (96%) of the total \$11,026,249 governmental funds assets.

**General Fund.** Fund balance at June 30, 2010 was \$434,982, which represents a decline in fund balance from the prior year of \$417,661. The School District received \$294,000 less in state foundation funding due to the implementation of the state's new funding formula during the year. The School District experienced increases in: instructional expenditures, due to increased use of educational materials to work towards the School District's goal to achieve an excellent rating on its Ohio Report Card; administrative expenditures, increased due to the addition of two positions; and pupil transportation costs, due to a 4% increase in the transportation contract and additional bus routes.

**Debt Service Fund.** The Debt Service Fund is used to accumulate resources to retire the School District's general obligation bonds. All required bond payments were made as scheduled during the current fiscal year. The fund's cash balance at year-end is adequate to make the required debt payments for the year ending June 30, 2010 as well.

**Permanent Improvement Fund.** The Permanent Improvement Fund is used to accumulate resources to acquire, construct, and improve District facilities. The School District repurposed inside levy millage to provide resources for the facilities master plan.

**Termination Benefits Fund.** The Termination Benefits Fund is used to accumulate resources to pay severance payments for retirees. The General Fund transfers resources to this fund to make severance payments, as needed.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results are included in the required supplementary information. During fiscal year 2010, the School District amended its General Fund budget with Clermont County as changes occurred in School District revenues and expenditures. There were no significant changes to the budget on the revenue side. The School District's final budget only increased 3% from the original budget on the expenditure side due to the reasons discussed above.

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**  
**Unaudited**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** At June 30, 2010, the School District had \$5,112,921 invested in a broad range of capital assets, including land, buildings and equipment. The School District had no capital asset activity during the year ended June 30, 2010 due in large part to significant renovations undertaken in the prior fiscal years. See Note 4 to the financial statements for more detail.

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

		<u><b>FY2010</b></u>	<u><b>FY2009</b></u>
Land	\$	2,024,809	2,024,809
Land improvements		164,073	201,070
Buildings and improvements		2,854,447	3,005,035
Furniture and equipment		<u>69,592</u>	<u>92,418</u>
Total	\$	<u><u>5,112,921</u></u>	<u><u>5,323,332</u></u>

**Debt.** The School District did not issue any debt during the year ended June 30, 2010. However, the School District retired \$475,000 of general obligation bonds and has \$1,195,000 outstanding at June 30, 2010. See Note 10 to the financial statements.

**ECONOMIC FACTORS**

The School District, like all other taxing entities in the State of Ohio, faces the uncertainty of the economy. The School District's operating revenue is composed primarily of property taxes and a local income tax. With a weak economy, many of the School District's citizens have either lost their jobs and are unemployed or have had to take lesser paying jobs. Income tax revenues appear to have reached a peak until the economy experiences a rebound. Further, as household budgets tighten, the number and amount of property tax delinquencies increase thus decreasing property tax revenue for the School District.

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

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**  
**Unaudited**

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**REQUESTS FOR ADDITIONAL INFORMATION**

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

# CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 3,039,814
Receivables:	
Taxes	7,957,123
Accounts	3,537
Interest	10,127
Supplies inventory	15,648
Nondepreciable capital assets	2,024,809
Depreciable capital assets, net	<u>3,088,112</u>
<b>Total assets</b>	<u>16,139,170</u>
<b>Liabilities:</b>	
Accounts payable	75,317
Accrued wages and benefits	1,170,774
Pension obligation payable	365,388
Unearned revenue	5,537,573
Accrued interest payable	1,629
Noncurrent liabilities:	
Due within one year	726,853
Due within more than one year	<u>1,562,479</u>
<b>Total liabilities</b>	<u>9,440,013</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	3,917,921
Restricted for:	
Debt service	1,273,492
Other purposes	105,076
Unrestricted	<u>1,402,668</u>
<b>Total net assets</b>	\$ <u><u>6,699,157</u></u>

See accompanying notes to the basic financial statements.

# CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 7,504,906	850,089	105,569	\$ (6,549,248)
Special education	2,313,673	-	840,150	(1,473,523)
Other	278,284	-	-	(278,284)
Support services:				
Pupil	805,179	-	45,696	(759,483)
Instructional staff	791,336	-	123,983	(667,353)
Board of Education	53,288	-	-	(53,288)
Administration	1,495,346	-	14,508	(1,480,838)
Fiscal	471,752	-	14,303	(457,449)
Business	59,749	-	37,193	(22,556)
Operation and				
maintenance of plant	2,008,968	-	245,859	(1,763,109)
Pupil transportation	1,699,424	10,429	-	(1,688,995)
Central	296,075	94,501	5,000	(196,574)
Non-instructional services:				
Extracurricular activities	418,070	86,245	-	(331,825)
Community service	216,460	-	172,812	(43,648)
Food service	659,715	336,143	373,888	50,316
Interest on long-term debt	27,172	-	-	(27,172)
	<u>\$ 19,099,397</u>	<u>1,377,407</u>	<u>1,978,961</u>	<u>(15,743,029)</u>
<b>General Revenues:</b>				
Property taxes, levied for general purposes				5,967,007
Property taxes, levied for debt services				562,230
Income taxes				2,444,494
Grants and entitlements not restricted to specific programs				6,570,350
Investment earnings				41,952
Miscellaneous				86,471
Total general revenues				<u>15,672,504</u>
Change in net assets				(70,525)
Net assets beginning of year				<u>6,769,682</u>
Net assets end of year				<u>\$ 6,699,157</u>

See accompanying notes to the basic financial statements.

# CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2010

	General	Debt Service	Permanent Improvement	Termination Benefits
<b>Assets:</b>				
Equity in pooled cash and investments	\$ 229,312	1,162,590	-	1,195,897
Receivables:				
Taxes	6,551,000	593,368	812,755	-
Accounts	3,326	-	-	-
Accrued interest	10,127	-	-	-
Materials and supplies inventory	-	-	-	-
<b>Total assets</b>	<u>6,793,765</u>	<u>1,755,958</u>	<u>812,755</u>	<u>1,195,897</u>
<b>Liabilities:</b>				
Accounts payable	55,805	-	-	-
Accrued wages and benefits	1,010,154	-	-	-
Pension obligation payable	332,108	-	-	-
Compensated absences payable	-	-	-	108,629
Deferred revenue	<u>4,960,716</u>	<u>532,368</u>	<u>812,755</u>	<u>-</u>
<b>Total liabilities</b>	<u>6,358,783</u>	<u>532,368</u>	<u>812,755</u>	<u>108,629</u>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	42,095	-	-	-
Property taxes	627,200	61,000	-	-
Supplies inventory	-	-	-	-
Debt service	-	1,162,590	-	-
Unreserved, reported in:				
General Fund	(234,313)	-	-	-
Special Revenue Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,087,268</u>
<b>Total fund balances</b>	<u>434,982</u>	<u>1,223,590</u>	<u>-</u>	<u>1,087,268</u>
<b>Total liabilities and fund balances</b>	<u>\$ 6,793,765</u>	<u>1,755,958</u>	<u>812,755</u>	<u>1,195,897</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2010

Other Governmental Funds	Total Governmental Funds
452,015	3,039,814
-	7,957,123
211	3,537
-	10,127
15,648	15,648
<u>467,874</u>	<u>11,026,249</u>
19,512	75,317
160,620	1,170,774
33,280	365,388
-	108,629
-	6,305,839
<u>213,412</u>	<u>8,025,947</u>
6,736	48,831
-	688,200
15,648	15,648
-	1,162,590
-	(234,313)
<u>232,078</u>	<u>1,319,346</u>
<u>254,462</u>	<u>3,000,302</u>
<u>467,874</u>	<u>11,026,249</u>

<b>Total Governmental Fund Balances</b>		\$ 3,000,302
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,112,921
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		768,266
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	1,195,000	
Compensated absences	985,703	
Accrued interest payable	<u>1,629</u>	<u>(2,182,332)</u>
Net Assets of Governmental Activities		\$ <u>6,699,157</u>

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2010

	General	Debt Service	Permanent Improvement	Termination Benefits
<b>Revenues:</b>				
Taxes	\$ 8,286,917	550,377	-	-
Tuition and fees	557,504	-	-	-
Charges for services	-	-	-	-
Interest	45,734	-	-	-
Intergovernmental	6,570,350	-	-	-
Other local revenues	361,296	-	-	-
<b>Total revenues</b>	<u>15,821,801</u>	<u>550,377</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	7,240,150	-	-	75,793
Special education	1,418,063	-	-	29,020
Other	248,781	-	-	-
Support services:				
Pupil	738,438	-	-	3,816
Instructional staff	662,428	-	-	-
Board of Education	52,888	-	-	-
Administration	1,459,487	-	-	-
Fiscal	441,393	8,780	-	-
Business	22,556	-	-	-
Operation and maintenance of plant	1,741,792	-	-	-
Pupil transportation	1,675,249	-	-	-
Central	129,970	-	-	-
Non-instructional services:				
Extracurricular activities	12,384	-	-	-
Community service	12,379	-	-	5,251
Food service	-	-	-	-
Debt Service:				
Principal	-	475,000	-	-
Interest and fiscal charges	-	28,696	-	-
<b>Total expenditures</b>	<u>15,855,958</u>	<u>512,476</u>	<u>-</u>	<u>113,880</u>
Excess of revenues over (under) expenditures	<u>(34,157)</u>	<u>37,901</u>	<u>-</u>	<u>(113,880)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	(383,504)	-	-	-
<b>Total other financing sources (uses):</b>	<u>(383,504)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(417,661)	37,901	-	(113,880)
Fund balance, beginning of year	852,643	1,185,689	-	1,201,148
Fund balance, end of year	\$ <u>434,982</u>	<u>1,223,590</u>	<u>-</u>	<u>1,087,268</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2010

Other Governmental Funds	Total Governmental Funds		
		<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (590,224)
-	8,837,294	Amounts reported for governmental activities in the statement of activities are different because:	
-	557,504		
353,903	353,903		
5	45,739		
1,978,956	8,549,306	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	(210,411)
<u>191,175</u>	<u>552,471</u>		
<u>2,524,039</u>	<u>18,896,217</u>		
212,948	7,528,891	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	475,000
848,249	2,295,332		
26,790	275,571		
53,799	796,053	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,524
118,743	781,171		
400	53,288		
18,010	1,477,497		
14,303	464,476		
37,193	59,749	Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	120,931
245,859	1,987,651		
-	1,675,249		
166,105	296,075		
405,002	417,386	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>132,655</u>
198,830	216,460		
657,896	657,896		
-	475,000		
-	28,696		
<u>3,004,127</u>	<u>19,486,441</u>	Change in Net Assets of Governmental Activities	<u>\$ (70,525)</u>
<u>(480,088)</u>	<u>(590,224)</u>		
383,504	383,504		
-	(383,504)		
<u>383,504</u>	<u>-</u>		
(96,584)	(590,224)		
<u>351,046</u>	<u>3,590,526</u>		
<u>254,462</u>	<u>3,000,302</u>		

# CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

## Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

		Private Purpose Trusts	Agency Funds
		<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Equity in pooled cash and investments	\$	<u>21,018</u>	<u>23,022</u>
Total assets		<u><u>21,018</u></u>	<u><u>23,022</u></u>
<b>LIABILITIES</b>			
Accounts payable		3,400	-
Due to student groups		<u>-</u>	<u>23,022</u>
Total liabilities		<u><u>3,400</u></u>	<u><u>23,022</u></u>
<b>NET ASSETS</b>			
Held in trust	\$	<u><u>17,618</u></u>	

See accompanying notes to the basic financial statements.

# CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

## Statement of Changes in Fiduciary Net Assets

### Fiduciary Funds

Year Ended June 30, 2010

	<u>Private- Purpose Trusts</u>
<b>Additions:</b>	
Contributions	\$ <u>3,507</u>
Total additions	<u>3,507</u>
<b>Deductions:</b>	
Community gifts, awards and scholarships	<u>47,980</u>
Total deductions	<u>47,980</u>
Change in net assets	(44,473)
Net assets, beginning of year	<u>62,091</u>
Net assets, end of year	\$ <u><u>17,618</u></u>

See accompanying notes to the basic financial statements.

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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**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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent they do not conflict with or contradict GASB pronouncements. 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 1,900 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, 2010**

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The School District is associated with four organizations, two of which are defined as jointly governed organizations and two are insurance purchasing pools. These organizations include Hamilton Clermont Cooperative Association, the Great Oaks Institute of Technology and Career Development, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Clermont County Health Trust. These organizations are presented in Notes 11 and 12 to the basic financial statements.

**B. Basis of Presentation**

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financials activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

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

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

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

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

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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**C. Fund Accounting**

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

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

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

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

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

**Termination Benefits Fund** – This fund is used to accumulate resources for severance payments for retired employees.

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

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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**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, 2010**

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*Deferred Revenue* Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes measurable as of June 30, 2010, which are intended to finance fiscal year 2011 operations, have been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements. During fiscal year 2010, the School District's investments included U.S. agency securities, STAR Ohio, U.S. Treasury notes and money market funds.

STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement. At June 30, 2010, the fair value of investments approximates cost.

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

**F. Inventory**

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

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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**G. Capital Assets**

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

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

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

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

**H. Compensated Absences**

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

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

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

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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**I. Accrued Liabilities and Long-Term Obligations**

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

**J. Fund Balance Reserves**

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, inventory and debt service.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statutes.

**K. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**L. Estimates**

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

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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**M. Fund Balance Deficits**

At June 30, 2010, the following funds had a deficit fund balance:

Other Governmental Funds:	
Athletics Fund	\$6,768
IDEA Part B Grant Fund	\$21,321
Drug Free School Grant Fund	\$574

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

**2. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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Interim monies are permitted to be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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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 \$413,090 was covered under FDIC insurance.

Investments

The School District's investments at June 30, 2010 are as summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity Years</u>	<u>Concentration of Credit Risk</u>
FHLB	\$ 1,764,031	0.68	65%
STAR Ohio	410,451	n/a	15%
US Money Market Funds	<u>531,908</u>	n/a	20%
	<u>\$ 2,706,390</u>		

*Credit Risk*

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

*Custodial Credit Risk*

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

*Interest Rate Risk*

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

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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**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, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of the prior January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in calendar year 2010 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.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value listed as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from the Clermont County Auditor, who periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010 are available to finance fiscal year 2010 operations.

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2010. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2010, was \$627,200 in the General Fund and \$61,000 in the Debt Service Fund.

The assessed values upon which fiscal year 2010 taxes were collected are:

	<u>2009 Second- Half Collections</u>		<u>2010 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 295,416,140	96.44%	294,380,170	97.62%
Public Utility	6,086,420	1.99%	6,342,620	2.10%
Tangible Personal Property	<u>4,832,340</u>	1.58%	<u>828,260</u>	0.27%
Total Assessed Value	\$ <u><u>306,334,900</u></u>	100.00%	<u><u>301,551,050</u></u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$35.50		\$35.50

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

**4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance 7/1/09	Additions	Disposals	Balance 6/30/10
<b><i>Governmental Activities</i></b>				
<b>Nondepreciable:</b>				
Land	\$ 2,024,809	-	-	2,024,809
<b>Depreciable:</b>				
Land improvements	1,117,737	-	-	1,117,737
Buildings and improvements	9,216,656	-	-	9,216,656
Equipment and furniture	3,851,942	-	-	3,851,942
Vehicles	62,089	-	-	62,089
Subtotal	<u>14,248,424</u>	<u>-</u>	<u>-</u>	<u>14,248,424</u>
Totals at historical cost	<u>16,273,233</u>	<u>-</u>	<u>-</u>	<u>16,273,233</u>
Less accumulated depreciation:				
Land improvements	916,667	36,997	-	953,664
Buildings and improvements	6,211,621	150,588	-	6,362,209
Equipment and furniture	3,759,524	22,826	-	3,782,350
Vehicles	62,089	-	-	62,089
Total accumulated depreciation	<u>10,949,901</u>	<u>210,411</u>	<u>-</u>	<u>11,160,312</u>
Capital assets, net	<u>\$ 5,323,332</u>	<u>(210,411)</u>	<u>-</u>	<u>5,112,921</u>

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 96,946
Special	18,341
Other	2,713
Support services:	
Pupil	9,126
Instructional staff	10,165
Administration	17,849
Fiscal	7,276
Operation and maintenance of plant	21,317
Pupil transportation	24,175
Extracurricular activities	684
Food service	1,819
Total depreciation expense	<u>\$ 210,411</u>

**5. INTERFUND TRANSACTIONS**

During the year ended June 30, 2010, the General Fund made transfers of \$383,504 to Other Governmental Funds. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**6. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, 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.

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

For fiscal year 2010, the School District participated in the Clermont County Health Trust (the Trust), a group insurance purchasing pool (Note 12), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

**7. DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2010, the allocation to pension and death benefits was 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were approximately \$250,000, \$230,000, and \$232,000, respectively; 48% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008. The unpaid contribution for fiscal year 2010 is recorded as a liability.

**State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a state-wide, cost-sharing multiple-employer public employee retirement system for licensed teachers and other faculty members employed by the School District. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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

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

DC Plan Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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

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

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

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for fiscal year ended June 30, 2010 were 10% of covered payroll for members and 14% for employers. The School District's required contributions for the years ended June 30, 2010, 2009, and 2008 were approximately \$1,028,000, \$1,033,000, and \$1,027,000, respectively; 81% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008. The unpaid contribution for fiscal year 2010 is recorded as a liability.

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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**Social Security System**

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

**8. POSTEMPLOYMENT BENEFITS**

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

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fee, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for years ended June 30, 2010, 2009, and 2008. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contributions to STRS Ohio allocated to post-employment health care for the years June 30, 2010, 2009, and 2008 were approximately \$73,000, \$74,000, and \$73,000, respectively.

SERS administers two postemployment benefit plans:

*Medicare B Plan* - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
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The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was 0.76%. The School District contributions for the years ended June 30, 2010, 2009, and 2008 were \$14,000, \$12,000, and \$11,000, respectively.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation was 0.46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$8,000, \$68,000, and \$55,000, respectively.

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

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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**9. EMPLOYEE BENEFITS**

**Compensated Absences**

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

**10. LONG-TERM OBLIGATIONS**

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Principal Outstanding 7/1/09	Additions	Reductions	Principal Outstanding 6/30/10	Due Within One Year
General obligation bonds \$	1,670,000	-	475,000	1,195,000	495,000
Compensated absences	1,106,634	129,062	141,364	1,094,332	231,853
Total	\$ 2,776,634	129,062	616,364	2,289,332	726,853

*Capital Improvement General Obligation Bonds Payable* – In 1992, the School District issued \$6,045,000 in voted general obligations bonds for the purpose of classroom additions and improvements to the existing three school buildings. In fiscal 2002, the School District issued \$4,960,000 of general obligation bonds for the purpose of a current refunding of the 1992 bonds. The outstanding bonds of as of June 30, 2010 bear interest at rates ranging from 2.15% to 3.95% with final payment on December 1, 2014.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid from the fund from which the employees' salaries are paid. The School District's voted legal debt margin was \$25,944,595 with an unvoted debt margin of \$301,551 at June 30, 2010.

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,		Principal	Interest	Total
2011	\$	495,000	9,776	504,776
2012		201,410	318,590	520,000
2013		181,538	333,462	515,000
2014		165,217	349,783	515,000
2015		151,835	368,165	520,000
Total	\$	<u>1,195,000</u>	<u>1,379,776</u>	<u>2,574,776</u>

**11. JOINTLY GOVERNED ORGANIZATIONS**

*The Hamilton Clermont Cooperative Association*

The School District is a participant in a two-county consortium of school districts that operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of H/CCA consists of one representative from each of the participating members. Financial statements for H/CCA can be obtained at its administrative offices at 7615 Harrison Avenue, Cincinnati 45231.

*The Great Oaks Institute of Technology and Career Development*

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

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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**12. INSURANCE PURCHASING POOLS**

*Ohio School Boards Association Workers' Compensation Group Rating Plan*

The School District participates in the Ohio School Boards Association 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 OSBA. The Executive Director of the OSBA, 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.

**13. CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

**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, 2010**

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**14. 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 purchase of textbooks and other instructional materials and an equal amount 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. Although no longer required by state statute, a budget stabilization reserve may still be set aside at the discretion of the School District.

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

		<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2009	\$	-	-
Current year set-aside requirement		288,822	288,822
Current year qualifying expenditures		(206,565)	(908,665)
Excess qualified expenditures from prior years		<u>(711,577)</u>	<u>-</u>
Total		<u>(629,320)</u>	<u>(619,843)</u>
Balance carried forward to FY2011		<u>(629,320)</u>	<u>-</u>
Set-aside reserve balance June 30, 2010	\$	<u>-</u>	<u>-</u>

Since the School District had offsets and qualifying disbursements during the year that reduced the set aside amount for textbooks and instructional materials to below zero, these extra amounts may be used to reduce the set aside requirements of future years. However, the excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years.

**15. 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, 2010, the School District recorded income tax revenue of \$2,444,494 in the entity-wide financials and a receivable as of June 30, 2010 of \$1,131,659.

**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, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Taxes	\$ 9,023,692	8,087,372	8,087,372	-
Tuition and fees	528,246	557,026	557,026	-
Interest	63,383	55,368	55,368	-
Intergovernmental	5,844,141	6,570,350	6,570,350	-
Other local revenues	<u>260,000</u>	<u>359,937</u>	<u>359,937</u>	<u>-</u>
<b>Total revenues</b>	<u>15,719,462</u>	<u>15,630,053</u>	<u>15,630,053</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	7,145,732	7,272,380	7,272,380	-
Special education	1,300,000	1,448,283	1,448,283	-
Other instruction	250,000	263,635	263,635	-
Support services:				
Pupil	750,000	768,249	768,249	-
Instructional staff	650,000	678,823	678,823	-
Board of Education	60,000	60,799	60,799	-
Administration	1,400,000	1,460,329	1,460,329	-
Fiscal	450,000	450,485	450,485	-
Business	20,000	21,418	21,418	-
Operation and maintenance of plant	1,700,000	1,759,162	1,759,162	-
Pupil transportation	1,600,000	1,677,130	1,677,130	-
Central	125,000	133,576	133,576	-
Non-instructional services:				
Community services	15,000	12,379	12,379	-
Extracurricular activities	<u>15,000</u>	<u>12,384</u>	<u>12,384</u>	<u>-</u>
<b>Total expenditures</b>	<u>15,480,732</u>	<u>16,019,032</u>	<u>16,019,032</u>	<u>-</u>
Excess of revenues over expenditures	238,730	(388,979)	(388,979)	-
<b>Other financing sources (uses):</b>				
Transfers in	-	4,446	4,446	-
Transfers out	(415,000)	(396,285)	(396,285)	-
Other financing sources	<u>-</u>	<u>253</u>	<u>253</u>	<u>-</u>
<b>Total other financing sources (uses):</b>	<u>(415,000)</u>	<u>(391,586)</u>	<u>(391,586)</u>	<u>-</u>
Change in fund balance	(176,270)	(780,565)	(780,565)	-
Fund balance, beginning of year	866,285	866,285	866,285	
Prior year encumbrances appropriated	<u>90,048</u>	<u>90,048</u>	<u>90,048</u>	
Fund balance, end of year	\$ <u>780,063</u>	<u>175,768</u>	<u>175,768</u>	

See accompanying notes to required supplemental information.

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**

Schedule of Revenues, Expenditures and Changes in Fund  
 Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Termination Benefits Fund  
 Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Expenditures:</b>				
Current:				
Non-instructional services:				
Community services	\$ 5,000	5,251	5,251	-
<b>Total expenditures</b>	<u>5,000</u>	<u>5,251</u>	<u>5,251</u>	<u>-</u>
Change in fund balance	(5,000)	(5,251)	(5,251)	-
Fund balance, beginning of year	<u>1,201,148</u>	<u>1,201,148</u>	<u>1,201,148</u>	
Fund balance, end of year	\$ <u>1,196,148</u>	<u>1,195,897</u>	<u>1,195,897</u>	

See accompanying notes to required supplemental information.

# CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2010

## 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:

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

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

Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

	<u>General</u>	<u>Termination Benefits</u>
Net change in fund balance - GAAP Basis	\$ (417,661)	(113,880)
Increase / (decrease):		
Due to revenues	(191,748)	-
Due to expenditures	(111,077)	108,629
Due to other sources (uses)	(8,082)	-
Due to encumbrances	<u>(51,997)</u>	<u>-</u>
Net change in fund balance - Budget Basis	\$ <u>(780,565)</u>	<u>(5,251)</u>

Clermont Northeastern Local School District  
Clermont County

Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>United States Department of Agriculture</b>				
<i>Passed through Ohio Department of Education</i>				
<i>Nutrition Cluster:</i>				
Special Milk Program	N/A	10.556	\$ 694	\$ 694
National School Breakfast Program	05PU	10.553	82,718	82,718
School Lunch Program	LLP4	10.555	283,711	283,711
<i>Total Nutrition Cluster</i>			<u>367,123</u>	<u>367,123</u>
<b>Total United States Department of Agriculture - Nutrition Cluster</b>			<u>367,123</u>	<u>367,123</u>
<b>United States Department of Education</b>				
<i>Passed through Ohio Department of Education</i>				
<i>Title I Cluster</i>				
Title I Grants to Local Education Agencies	C1S1	84.010	268,406	240,597
Title I Grants to Local Education Agencies - ARRA	C1S1	84.389	126,618	119,189
<i>Total Title I Cluster</i>			<u>395,024</u>	<u>359,786</u>
<i>Special Education Cluster</i>				
Special Education Grants to States	6BSF	84.027	354,824	342,692
Special Education Grants to States - ARRA	6BSF	84.391	262,399	262,399
<i>Total Special Education Cluster</i>			<u>617,223</u>	<u>605,091</u>
State Fiscal Stabilization Fund - ARRA		84.394	346,770	346,770
Safe and Drug Free Schools and Communities State Grants	DRS1	84.186	5,279	5,279
State Grants for Innovative Programs	C2S1	84.298	-	-
Education Technology State Grants	TJS1	84.318	2,403	3,854
Improving Teacher Quality State Grant	TRS1	84.367	102,783	97,586
<i>Passed through Great Oaks Institute of Technology and Career Development</i>				
Vocational Education - Basic Grants to States	N/A	84.048	8,673	7,415
<b>Total United States Department of Education</b>			<u>1,478,155</u>	<u>1,425,781</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,845,278</u>	<u>\$ 1,792,904</u>

N/A = Pass through entity number could not be located.  
See Notes to the Schedule of Federal Awards Expenditures.

***CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT***  
*Notes to Schedule of Federal Awards Receipts and Expenditures*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – MATCHING REQUIREMENTS**

Certain Federal programs require that the School District contribute non-federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



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

Members of the Board  
Clermont Northeastern Local School District  
2782 US Route 50  
Batavia, Ohio 45103

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clermont Northeastern Local School District (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

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

Members of the Board

**Compliance and Other Matters**

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

Clermont Northeastern Local School District  
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by  
Government Auditing Standards  
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
February 11, 2011



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

Board of Education  
Clermont Northeastern Local School District  
2782 US Route 50  
Batavia, Ohio 45103

**Compliance**

We have audited the compliance of Clermont Northeastern Local School District, Clermont County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of Clermont Northeastern Local School District's major federal programs for the year ended June 30, 2010. The Summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

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

**Internal Control Over Compliance  
(Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
February 11, 2011

**Clermont Northeastern Local School District**  
**Clermont County**  
*Schedule of Findings*  
*OMB Circular A-133 Section .505*  
*For The Fiscal Year Ended June 30, 2010*

**1. SUMMARY OF AUDITOR' S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program' s Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Grants to States: CFDA# 84.027, Special Education Grants to States ARRA: CFDA# 84.391, Title I Cluster: Title I Grants to Local Educational Agencies: CFDA# 84.010, Title I Grants to Local Educational Agencies: CFDA# 84.389, State Fiscal Stabilization fund ARRA; CFDA# 84.394, Child Nutrition Cluster: School Breakfast Program CFDA#10.553, National School Lunch Program; CFDA# 10.555, Special Milk Program for Children; CFDA# 10.556
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**Clermont Northeastern Local School District  
Clermont County**

*Schedule of Findings  
OMB Circular A-133 Section .505  
(Continued)  
For The Fiscal Year Ended June 30, 2010*

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

**None**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None**

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# Dave Yost • Auditor of State

**CLERMONT NORTHEASTERN LOCAL SCHOOL DISTRICT**

**CLERMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 12, 2011**