

Dave Yost • Auditor of State



**CLEARVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	19
Statement of Fiduciary Assets and Liabilities – Agency Funds .....	20
Notes to the Basic Financial Statements .....	21
Schedule of Federal Awards Receipts and Expenditures.....	43
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	44
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	45
Independent Accountants' Report on Compliance with Requirements Applicable To Its Major Federal Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133 .....	47
Schedule of Findings and Questioned Costs.....	49
Schedule of Prior Audit Findings.....	51

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Clearview Local School District  
Lorain County  
4700 Broadway Avenue  
Lorain, Ohio 44052

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clearview Local School District, Lorain County, Ohio (the District), 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 Clearview Local School District, Lorain County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General fund 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 January 31, 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.

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

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



**Dave Yost**  
Auditor of State

January 31, 2011

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

The management discussion and analysis of Clearview Local School District's the "School District" financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this management discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key Financial Highlights for 2010 are as follows:

In total, net assets decreased by \$ 181,628.

Revenues for governmental activities totaled \$ 16,410,515 in 2010. Of this total, 64.98 percent consisted of General revenues while Program revenues accounted for the remaining balance of 35.02 percent.

Program expenses totaled \$ 16,592,143. Instructional expenses made up 55.53 percent of this total while support services accounted for 35.38 percent. Other expenses rounded out the remaining 9.09 percent.

### **Using this Financial Report**

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand Clearview Local School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Clearview Local School District, the General Fund and the Debt Service Fund are most significant.

### **Reporting the School District as a Whole**

#### **Statement of Net Assets and the Statement of Activities**

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those net assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

In the Statement of Net Assets and the Statement of Activities, the School District is classified into governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, food service operation and extracurricular activities.

**Reporting the School District's Most Significant Funds**

Fund Financial Statements

The analysis of the School District's major funds begins on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Debt Service Fund.

Governmental Funds

All of the School District's activities are reported as governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.



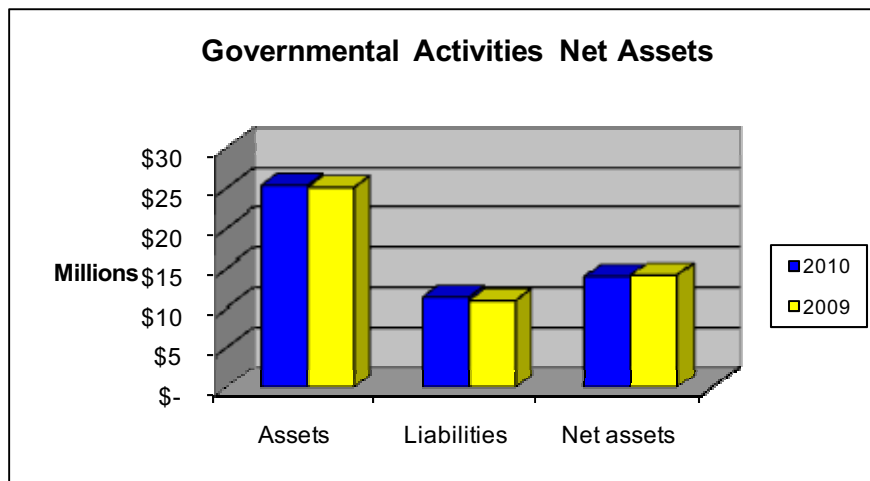
CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

**The School District as a Whole**

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009:

**Table 1**  
Total Net Assets

	2010	2009
<b>Assets</b>		
Current and other assets	\$ 6,421,056	\$ 5,491,119
Total capital assets, net	18,966,589	19,621,779
<b>Total assets</b>	<b>25,387,645</b>	<b>25,112,898</b>
<b>Liabilities</b>		
Current liabilities	5,279,793	5,017,811
Long term liabilities		
Due within one year	410,241	271,844
Due in more than one year	5,658,649	5,602,653
<b>Total liabilities</b>	<b>11,348,683</b>	<b>10,892,308</b>
<b>Net assets</b>		
Invested in capital assets, net of related debt	14,171,020	14,698,763
Restricted	1,018,533	627,985
Unrestricted (deficit)	(1,150,591)	(1,106,158)
<b>Total net assets</b>	<b>\$ 14,038,962</b>	<b>\$ 14,220,590</b>



CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

**Governmental Activities**

Total assets increased by \$ 274,747. This is the result of increases of \$ 842,692 in equity in pooled cash, \$ 24,924 in due from other governments and \$ 62,321 in taxes receivable. These increases were offset by a decrease in capital assets of \$ 655,190. The decrease in capital assets is primarily the result of depreciation expense.

Total liabilities increased by \$ 456,375. The increase can be attributed to increases in long-term liabilities of \$ 194,393, in accounts payable of \$ 125,329 and in accrued wages and benefits of \$ 106,586.

By comparing assets and liabilities, one can see the overall position of the School District has deteriorated as evidenced by the decrease in net assets of \$ 181,628.

The vast majority of revenue supporting all Governmental Activities is General revenue. General revenues totaled \$ 10,662,921 or 64.98 percent of the total revenues. The most significant portion of the General revenues is from grant and entitlements. The remaining amount of revenue was in the form of program revenues which equated to \$ 5,747,594 or 35.02 percent of total revenue.

Table 2 summarizes the revenues, expenses and the changes in net assets for fiscal year 2010 compared to 2009.

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

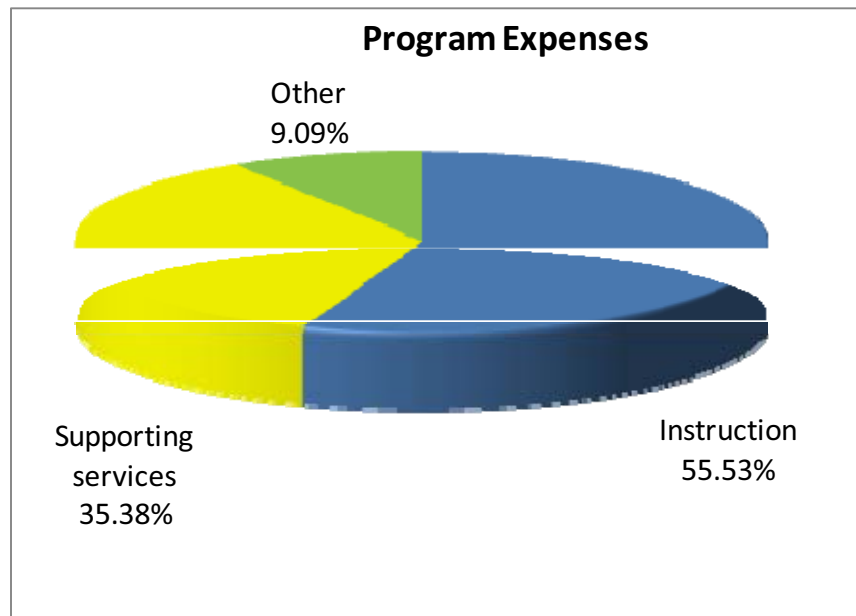
**Table 2**  
Governmental Activities

Revenues	2010	2009
Program revenues		
Charges for services	\$ 3,440,814	\$ 3,449,744
Operating grants, interest and contributions	2,306,780	2,130,124
Capital grants and contributions	-	12,721
Total program revenues	<u>5,747,594</u>	<u>5,592,589</u>
General revenues		
Property taxes	2,809,523	2,827,370
Grants and entitlements not restricted to specific purposes	7,818,918	7,022,665
Investment earnings	17,947	27,188
Miscellaneous	16,533	175,983
Total general revenues	<u>10,662,921</u>	<u>10,053,206</u>
Total revenues	<u>16,410,515</u>	<u>15,645,795</u>
Program expenses		
Instruction	9,213,522	8,255,307
Supporting services		
Pupil and instructional staff	1,668,067	1,505,102
Board of education, administration, fiscal and business	2,116,227	1,760,313
Operation and maintenance	1,534,880	1,664,340
Pupil transportation	461,289	428,792
Central services	89,976	116,807
Operation of non-instructional services		
Food service operation	774,083	879,500
Community services	6,194	21,465
Other operations	12,673	37,908
Extracurricular activities	446,583	449,294
Interest	268,649	280,722
Total program expenses	<u>16,592,143</u>	<u>15,399,550</u>
Change in net assets	(181,628)	246,245
Net assets, beginning of year	14,220,590	13,974,345
Net assets, end of year	<u>\$ 14,038,962</u>	<u>\$ 14,220,590</u>

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

The School District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In June of 2010, the School District completed its five-year forecast. Based upon the current five-year financial forecast, the School District does not have adequate operating funds. Although the School District relies heavily upon State funding and open enrollments to support its operations, the School District does actively solicit additional local tax increases.

Approximately 55.53 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 35.38 percent. The remaining program expenses of 9.09 percent are budgeted to facilitate other obligations of the School District, such as the food service program, numerous extracurricular activities and debt service.



The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

**Table 3**  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction	\$ 9,213,522	\$ 8,255,307	\$ (4,868,440)	\$ (3,955,090)
Supporting services				
Pupil and instructional staff	1,668,067	1,505,102	(1,439,993)	(1,233,239)
Board of education, administration, fiscal and business	2,116,227	1,760,313	(2,058,739)	(1,755,313)
Operation and maintenance	1,534,880	1,664,340	(1,497,283)	(1,664,340)
Pupil transportation	461,289	428,792	(387,246)	(428,792)
Central services	89,976	116,807	(65,853)	(111,807)
Operation of non-instructional services				
Food service operation	774,083	879,500	43,174	(52,456)
Community services	6,194	21,465	3,756	(20,021)
Other operations	12,673	37,908	3,969	(17,735)
Extracurricular activities	446,583	449,294	(309,245)	(287,446)
Interest	268,649	280,722	(268,649)	(280,722)
Total expenses	<u>\$ 16,592,143</u>	<u>\$ 15,399,550</u>	<u>\$(10,844,549)</u>	<u>\$ (9,806,961)</u>

Program revenues fund 34.64 percent of all governmental expenses. Grants and entitlements not restricted to specific programs support 47.12 percent. Approximately 16.90 percent of expenses are directly supported by local property taxes.

Clearly, the Clearview community depends on State funding and open enrollments for the greatest source of financial support for the students of the Clearview Local Schools.

### School District 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 for 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.

As of June 30, 2010, the School District's governmental funds reported combined ending fund balances of \$ 616,035 an increase of \$ 525,516 in comparison with the prior year. Of that amount (\$ 125,631) constitutes unreserved fund balances. The remaining \$ 741,666 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period or other restricted purposes.

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 16.4 million and expenditures of \$ 16.0 million. The net change in fund balance for the year was most significant in the General Fund, which had an increase of \$ 114,500, as compared to an increase of \$ 590,167 in fiscal year 2009.

Total revenues reported in fiscal year 2010 increased \$ 861,810 or 5.54 percent from the previous year. This increase in revenue is primarily due to an increase in intergovernmental revenue. Total expenditures reported in fiscal year 2010 increased \$ 900,075 or 5.97 percent from the previous year. The increase is due primarily to negotiated salary increases and rising medical insurance costs.

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2010, the School District amended its General Fund budget numerous times, none significantly. Fluctuations among the budget basis expenditures categories are due to the School District's site-based style of budgeting that is designed to tightly control expenditures but provide flexibility for managers to redirect funds as conditions develop during the year.

Revenue received by the General Fund, including other sources, was less than final budgetary projections by \$ 147,676. Actual expenditures for the year, including other uses, were \$ 1,435,752 under final General Fund budget projections.

**Capital Assets and Debt Administration**

Capital Assets

All capital assets, except land, are reported net of depreciation. At the end of fiscal 2010, the School District had \$ 18,966,589 invested in land, buildings, equipment and vehicles. Table 4 shows fiscal 2010 values compared to 2009.

**Table 4**  
Capital Assets at June 30,  
Governmental Activities

	2010	2009
Land	\$ 47,080	\$ 47,080
Building and improvements	18,361,736	18,935,278
Furniture and equipment	378,792	424,029
Vehicles	178,981	215,392
	\$ 18,966,589	\$ 19,621,779

During fiscal 2010, the capital assets had a net decrease of \$ 655,190 primarily due to depreciation expense.

For more information about the District's capital assets, see Note 8 to the Basic Financial Statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

**Debt**

At June 30, 2010 the School District had \$ 4,625,000 in outstanding bonds and \$ 91,000 in outstanding loan payable. Proceeds from the bonds were used to renovate the School District Buildings. The bonds are to be repaid in annual principal payments of interest and principal through 2024. The loan proceeds were used to renovate the outdoor track. The loan is to be repaid in quarterly payments of interest and principal through 2013.

For more information about the District's debt, see Note 13 to the Basic Financial Statements.

**School District Outlook**

The Board of Education and the administration closely monitor the District's revenues and expenditures in accordance with its financial forecast and the School District's Continuous Improvement Plan.

The School District's financial future is not without challenges, though. The nature of school funding in Ohio severely restricts the growth in the School District's operating revenues and requires the School District to periodically seek additional funds from the taxpayers to offset rising operating costs.

In addition to the problem of limited growth in revenue, school districts are faced with the challenge of losing traditional sources of tax revenue through the Ohio General Assembly legislative actions. In June 1999, the Ohio General Assembly passed House Bill 284 that will phase-out, over a period of 25 years, the taxation on business inventories. Once fully implemented, the School District's operating revenue will be reduced by approximately \$ 365,000 annually.

In June 1999, the Ohio General Assembly passed Senate Bill 3 to deregulate the electric utility industry in Ohio. Under this legislation, the assessment rate on electric utility property was dramatically reduced and will eventually result in the annual loss of over \$ 60,000 in tax revenue for the School District.

Financial aid from the State of Ohio through the State Foundation Program has been declining as a major source of operating revenue for the Clearview Local School District. Because Clearview Local Schools is considered an urban district in terms of property values, it receives a larger amount of revenue from the State to fund operating expenses.

As a result of the challenges mentioned above, the School District's administration continues to carefully and prudently plan its expenditures to provide adequate resources to meet student needs over the next several years. The administration is currently reviewing all programs and services provided to students with the goal of reducing operating costs.

**Contacting the School District's Financial Management**

This report is designed to provide our citizens, taxpayers 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 any questions about this report or need additional financial information, contact John W. Scott, RSBFO and Treasurer at Clearview Local District, 4700 Broadway Ave. Lorain, Ohio 44052.

**This page was intentionally left blank.**



CLEARVIEW LOCAL SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities
<b>Assets</b>	
Equity in pooled cash	\$ 2,717,266
Due from other governments	335,958
Taxes receivable	3,367,832
Capital assets	
Nondepreciable capital assets	47,080
Depreciable capital assets	18,919,509
<b>Total assets</b>	<u><u>25,387,645</u></u>
<b>Liabilities</b>	
Accounts and contracts payable	137,014
Accrued salaries, wages and benefits	1,570,828
Accrued interest payable	21,831
Due to other governments	440,053
Unearned revenue	3,110,067
Long term liabilities	
Due within one year	410,241
Due in more than one year	5,658,649
<b>Total liabilities</b>	<u><u>11,348,683</u></u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	14,171,020
Restricted for:	
Debt service	311,539
Capital projects	464
School supplies	69,388
Extracurricular	33,075
State grants	10
Federal grants	263,242
Donations	148,032
Other purposes	192,783
Unrestricted (deficit)	(1,150,591)
<b>Total net assets</b>	<u><u>\$ 14,038,962</u></u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	
Governmental activities				
Instruction				
Regular	\$ 7,090,936	\$ 3,031,385	\$ 113,250	\$ (3,946,301)
Special	1,896,965	-	1,153,009	(743,956)
Vocational	178,183	-	-	(178,183)
Other instruction	47,438	-	47,438	-
Supporting services				
Pupil	1,079,055	57,684	130,973	(890,398)
Instructional staff	589,012	14,023	25,394	(549,595)
Board of education	50,690	-	-	(50,690)
Administration	1,384,524	-	57,488	(1,327,036)
Fiscal services	411,192	-	-	(411,192)
Business	269,821	-	-	(269,821)
Operation and maintenance	1,534,880	-	37,597	(1,497,283)
Pupil transportation	461,289	-	74,043	(387,246)
Central services	89,976	-	24,123	(65,853)
Operation of non-instructional services				
Food service operation	774,083	183,742	633,515	43,174
Community services	6,194	-	9,950	3,756
Other operations	12,673	16,642	-	3,969
Extracurricular activities	446,583	137,338	-	(309,245)
Interest	268,649	-	-	(268,649)
Totals	<u>\$ 16,592,143</u>	<u>\$ 3,440,814</u>	<u>\$ 2,306,780</u>	<u>(10,844,549)</u>

General revenues

Property taxes levied for:

General purpose	2,398,223
Debt service	377,830
Capital improvements	33,470
Grants and entitlements not restricted to specific purpose:	7,818,918
Investment earnings	17,947
Miscellaneous	16,533
Total general revenues	<u>10,662,921</u>

Change in net assets	(181,628)
Net assets, beginning of year	14,220,590
Net assets, end of year	<u>\$ 14,038,962</u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT

BALANCE SHEET -  
GOVERNMENTAL FUNDS

JUNE 30, 2010

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in pooled cash	\$ 1,261,371	\$ 236,954	\$ 967,382	\$ 2,465,707
Restricted cash	251,559	-	-	251,559
Receivables, net of allowance				
Taxes, current	2,540,754	406,902	35,776	2,983,432
Taxes, delinquent	328,200	51,600	4,600	384,400
Due from other governments	275,522	11,072	49,364	335,958
Interfund receivable	78,000	-	-	78,000
<b>Total assets and other debits</b>	<b>\$ 4,735,406</b>	<b>\$ 706,528</b>	<b>\$ 1,057,122</b>	<b>\$ 6,499,056</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 22,519	\$ -	\$ 114,495	\$ 137,014
Accrued salaries, wages and benefits	1,406,825	-	164,003	1,570,828
Due to other governments	417,070	-	22,983	440,053
Interfund payable	-	-	78,000	78,000
Unearned revenue	2,998,922	446,589	48,956	3,494,467
Accrued leave benefits	162,659	-	-	162,659
<b>Total liabilities</b>	<b>5,007,995</b>	<b>446,589</b>	<b>428,437</b>	<b>5,883,021</b>
<b>Fund balances</b>				
Reserved for textbooks	8,909	-	-	8,909
Reserved for capital maintenance	242,650	-	-	242,650
Reserved for property taxes	141,554	22,985	1,998	166,537
Reserved for encumbrances	102,239	-	221,331	323,570
Unreserved, reported in				
General Fund	(767,941)	-	-	(767,941)
Special Revenue Funds	-	-	404,892	404,892
Debt Service Fund	-	236,954	-	236,954
Capital Projects Funds	-	-	464	464
<b>Total fund balances</b>	<b>(272,589)</b>	<b>259,939</b>	<b>628,685</b>	<b>616,035</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,735,406</b>	<b>\$ 706,528</b>	<b>\$ 1,057,122</b>	<b>\$ 6,499,056</b>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
 NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2010

Total governmental funds balances	\$	616,035
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 not reported in the funds.		18,966,589
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes.		384,400
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(1,110,662)
Accrued interest		(21,831)
Bonds payable		(4,625,000)
Notes payable		(91,000)
Capital leases payable		(79,569)
		14,038,962
Net assets of governmental activities	\$	14,038,962

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,355,423	\$ 371,130	\$ 32,870	\$ 2,759,423
Tuition and fees	3,031,100	-	16,650	3,047,750
Interest	16,553	-	1,394	17,947
Intergovernmental	7,690,541	55,270	2,379,887	10,125,698
Extracurricular	285	-	190,347	190,632
Charges for services	-	-	183,734	183,734
Other	67,581	-	29,940	97,521
<b>Total revenues</b>	<b>13,161,483</b>	<b>426,400</b>	<b>2,834,822</b>	<b>16,422,705</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular	6,582,612	-	183,406	6,766,018
Special	872,406	-	983,713	1,856,119
Vocational	178,135	-	-	178,135
Other instruction	-	-	47,438	47,438
<b>Supporting services</b>				
Pupil	874,612	-	181,728	1,056,340
Instructional staff	495,838	-	40,468	536,306
Board of education	50,227	-	-	50,227
Administration	1,107,544	-	57,488	1,165,032
Fiscal services	358,435	7,258	28,383	394,076
Business	237,786	-	34,341	272,127
Operation and maintenance	1,419,356	-	63,336	1,482,692
Pupil transportation	337,790	-	74,043	411,833
Central services	79,540	-	8,327	87,867
<b>Operation of non-instructional services</b>				
Food service operation	-	-	753,689	753,689
Community services	-	-	4,188	4,188
Enterprise operations	-	-	12,673	12,673
Extracurricular activities	287,723	-	133,930	421,653
Capital outlay	-	-	4,428	4,428
<b>Debt service</b>				
Principal	63,447	155,000	-	218,447
Interest	7,679	261,222	-	268,901
<b>Total expenditures</b>	<b>12,953,130</b>	<b>423,480</b>	<b>2,611,579</b>	<b>15,988,189</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>208,353</b>	<b>2,920</b>	<b>223,243</b>	<b>434,516</b>
<b>Other financing sources (uses)</b>				
Transfers-in	-	-	93,853	93,853
Proceeds from note issuance	-	-	91,000	91,000
Transfers-out	(93,853)	-	-	(93,853)
<b>Total other financing sources (uses)</b>	<b>(93,853)</b>	<b>-</b>	<b>184,853</b>	<b>91,000</b>
<b>Net change in fund balances</b>	<b>114,500</b>	<b>2,920</b>	<b>408,096</b>	<b>525,516</b>
<b>Fund balances, beginning of year</b>	<b>(387,089)</b>	<b>257,019</b>	<b>220,589</b>	<b>90,519</b>
<b>Fund balances, end of year</b>	<b>\$ (272,589)</b>	<b>\$ 259,939</b>	<b>\$ 628,685</b>	<b>\$ 616,035</b>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds		\$ 525,516
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
	Capital outlay, net	(6,877)
	Depreciation expense	<u>(648,313)</u>
		(655,190)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	Property taxes	50,100
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
		127,447
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
	Accrued interest	252
	Compensated absences	<u>(229,753)</u>
		<u>(229,501)</u>
Change in net assets of governmental activities		<u>\$ (181,628)</u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 2,815,422	\$ 2,815,422	\$ 2,361,035	\$ (454,387)
Tuition and fees	3,062,480	3,062,480	3,031,100	(31,380)
Interest	16,724	16,724	16,553	(171)
Intergovernmental	7,366,193	7,366,193	7,705,693	339,500
Other	68,281	68,281	67,581	(700)
<b>Total revenues</b>	<b>13,329,100</b>	<b>13,329,100</b>	<b>13,181,962</b>	<b>(147,138)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular	7,267,703	7,267,703	6,548,596	719,107
Special	912,343	912,343	822,071	90,272
Vocational	197,929	197,929	178,345	19,584
<b>Supporting services</b>				
Pupil	916,941	916,941	826,214	90,727
Instructional staff	556,788	556,788	501,696	55,092
Board of education	55,670	55,670	50,162	5,508
Administration	1,171,151	1,171,151	1,055,271	115,880
Fiscal services	398,696	398,696	359,247	39,449
Business	350,140	350,140	315,495	34,645
Operation and maintenance	1,632,150	1,632,150	1,470,656	161,494
Pupil transportation	401,811	401,811	362,054	39,757
Central services	88,707	88,707	79,930	8,777
Extracurricular activities	326,029	326,029	293,770	32,259
<b>Total expenditures</b>	<b>14,276,058</b>	<b>14,276,058</b>	<b>12,863,507</b>	<b>1,412,551</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(946,958)</b>	<b>(946,958)</b>	<b>318,455</b>	<b>1,265,413</b>
<b>Other financing sources (uses)</b>				
Advances-in	21,505	21,505	21,285	(220)
Refund of prior year expenditures	31,010	31,010	30,692	(318)
Transfers-out	(147,917)	(147,917)	(133,281)	14,636
Advances-out	(86,565)	(86,565)	(78,000)	8,565
<b>Total other financing sources (uses)</b>	<b>(181,967)</b>	<b>(181,967)</b>	<b>(159,304)</b>	<b>22,663</b>
<b>Net change in fund balances</b>	<b>(1,128,925)</b>	<b>(1,128,925)</b>	<b>159,151</b>	<b>1,288,076</b>
<b>Fund balances, beginning of year</b>	<b>1,128,926</b>	<b>1,128,926</b>	<b>1,128,926</b>	<b>-</b>
<b>Prior year encumbrances</b>	<b>105,639</b>	<b>105,639</b>	<b>105,639</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 105,640</b>	<b>\$ 105,640</b>	<b>\$ 1,393,716</b>	<b>\$ 1,288,076</b>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES-  
AGENCY FUNDS

JUNE 30, 2010

	<u>Agency Funds</u>
<b>Assets</b>	
Equity in pooled cash	\$ 36,444
<b>Total assets</b>	<u>\$ 36,444</u>
<b>Liabilities</b>	
Accounts payable	\$ 1,761
Due to students	24,464
Due to others	10,219
<b>Total liabilities</b>	<u>\$ 36,444</u>

See accompanying notes to the basic financial statements.



CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Clearview Local School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2009 was 1,656. The District employs 95 certificated and 85 non-certificated employees.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' governing board and, 1) the District is able to significantly influence the programs or services performed or provided by the organization; or 2) the District is legally entitled to or can otherwise access the organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes.

Blended component units, although legally separated entities are, in substance, part of the District's operations and so data from these units are combined with data of the District. The District's has no component units.

The District is associated with the Lake Erie Educational Computer Association, the Lake Erie Regional Council of Governments, the Lorain County Joint Vocational School District, and the Ohio Schools Council Association, which are considered to be jointly governed organizations. These organizations and their relationships with the District are described in more detail in Note 19 to these financial statements.

B. BASIS OF PRESENTATION

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989, to its governmental activities. The following are the more significant of the District's accounting policies.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for 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 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 District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental 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.

C. FUND ACCOUNTING

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

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. 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 District's major governmental funds:

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

General Fund - the General Fund is the operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund.

Debt Service Fund - the Debt Service Fund is used to account for the accumulation of resources for, and the payment of long-term principal, interest and related costs.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities and unclaimed monies.

D. MEASUREMENT FOCUS

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets. The Statement of Activities presents increases (revenues) and decreases (expenses) in the total net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become 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. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal 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 are 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 year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are also reported as unearned revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflects the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflects the amounts in the final amended certificate that were in effect at the time the final appropriations were passed by the Board of Education.

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

G. CASH AND INVESTMENTS

Cash received by the District is deposited in one central bank account with individual fund balance integrity maintained through District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAR Ohio) or other short term investments. Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest income earned for the year ended June 30, 2010 totaled \$ 17,947.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year. STAR Ohio is an investment pool managed by the State Treasurer's Office, which 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. Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

H. RESTRICTED ASSETS

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. CAPITAL ASSETS

All capital assets of the District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand five hundred dollars. The 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.

All reported capital assets, other than land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset</u>	<u>Estimated Useful Life</u>
Buildings and improvements	15 - 69 years
Furniture and equipment	5 - 30 years
Vehicles	8 - 20 years

J. INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the statement of net assets.

K. 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 District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit. The liability includes employees who are currently eligible to receive termination benefits and those the 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 District's termination policy.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "accrued leave benefits" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term obligations and capital leases are recognized as a liability on the governmental fund financial statements when due.

M. 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 District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include money for federal grants.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide statement of net assets reports \$ 1,018,533 of restricted net assets, none of which is restricted by enabling legislation.

N. FUND BALANCE RESERVES AND DESIGNATIONS

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for textbooks, capital maintenance, property taxes and encumbrances.

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

O. INTERFUND TRANSACTIONS

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Reporting for Intangible Assets", Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple - Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the District's financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the District's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the District's financial statements.

NOTE 3 – DEFICIT FUND EQUITY

At June 30, 2010, the General Fund had a deficit fund balance of \$ 272,589 and the Food Service Fund had a deficit fund balance of \$ 46,169.

These deficit fund balances resulted from reflecting expenditures in accordance with the modified accrual basis of accounting, which are larger than amounts recognized on the budget basis. The District, in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year.



CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the 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 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund 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 statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
	General Fund
Budget basis	\$ 159,151
Adjustments, increase (decrease)	
Revenue accruals	(72,456)
Expenditure accruals	(91,409)
Encumbrances	119,214
GAAP basis, as reported	\$ 114,500

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and 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) 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. Commercial paper and bankers' acceptances (if authorized by the Board of Education), 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.

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the District had \$ 3,100 in cash on hand which is included on the balance sheet of the District as part of "Equity in pooled cash".

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District's deposits was \$ 2,745,886 and the bank balance was \$ 2,814,811. Of the bank balance, \$ 598,561 was covered by federal depository insurance and \$ 2,216,250 was uninsured. Of the remaining balance, \$ 2,216,250 was collateralized with securities held by the pledging institution's trust department not in the District's name. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2010, the District had the following investments:

	Maturities	Fair Value
Investment in STAR Ohio	n/a	\$ 4,724

D. INTEREST RATE RISK

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

E. CREDIT RISK

The District follows the Ohio Revised Code that limits its investment choices. As of June 30, 2010, the District's investment in STAR Ohio was rated AAAM by Standard & Poor's.

F. CONCENTRATION OF CREDIT RISK

The District places no limit on the amount that may be invested in any one issuer.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 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 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 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 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 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 machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value 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 District prior to June 30; however this year the settlement was late.

The District receives property taxes from Lorain County. The County Auditor periodically advances to the 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. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late settlement of tangible personal property taxes and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$ 141,554 in the General Fund, \$ 1,998 in the Capital Facilities Fund, and \$ 22,985 in the Debt Service Fund. The amount available as an advance at June 30, 2009, was \$ 147,166 in the General Fund, \$ 2,045 in the Capital Facilities Fund, and \$ 23,433 in the Debt Service Fund.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 6 - PROPERTY TAXES (continued)

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	2009 Second Half Collections		2010 First Half Collections	
	Amount	%	Amount	%
Agricultural Residential				
Real Estate	\$ 64,062,860	69.02 %	\$ 59,537,260	67.90 %
Other Commercial	25,855,763	27.86	25,266,279	28.82
Tangible Personal Property	2,893,386	3.12	2,873,337	3.28
	\$ 92,812,009	100.00 %	\$ 87,676,876	100.00 %
 Tax Rate per \$ 1,000 of Assessed Valuation:	 \$ 52.51		 \$ 53.53	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010, consisted of property taxes and amounts due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 8 - CAPITAL ASSETS

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

Governmental Activities	Balance June 30, 2009	Additions	Disposals	Balance June 30, 2010
<b>Nondepreciable capital assets</b>				
Land	\$ 47,080	\$ -	\$ -	\$ 47,080
Total nondepreciable capital assets	<u>47,080</u>	<u>-</u>	<u>-</u>	<u>47,080</u>
<b>Depreciable capital assets</b>				
Buildings and improvements	22,051,556	-	(57,552)	21,994,004
Furniture and equipment	866,879	55,413	(81,426)	840,866
Vehicles	518,541	-	-	518,541
Total capital assets being depreciated	<u>23,436,976</u>	<u>55,413</u>	<u>(138,978)</u>	<u>23,353,411</u>
<b>Less accumulated depreciation</b>				
Buildings and improvements	3,116,278	523,568	(7,578)	3,632,268
Furniture and equipment	442,850	88,334	(69,110)	462,074
Vehicles	303,149	36,411	-	339,560
Total accumulated depreciation	<u>3,862,277</u>	<u>648,313</u>	<u>(76,688)</u>	<u>4,433,902</u>
Depreciable capital assets, net of accumulated depreciation	<u>19,574,699</u>	<u>(592,900)</u>	<u>(62,290)</u>	<u>18,919,509</u>
Governmental activities capital assets, net	<u>\$ 19,621,779</u>	<u>\$ (592,900)</u>	<u>\$ (62,290)</u>	<u>\$ 18,966,589</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 300,814
Special	63,593
Vocational	12,650
Supporting services	
Pupil	19,495
Instructional staff	48,098
Board of education	463
Administration	40,282
Fiscal	13,247
Business	1,532
Operation and maintenance of plant	57,431
Pupil transportation	45,869
Central services	2,109
Operation of non-instructional services	
Food service	15,794
Community services	2,006
Extracurricular activities	24,930
Total depreciation expense	<u>\$ 648,313</u>

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

**NOTE 9 - INTERFUND ACTIVITY**

During the year ended June 30, 2010, transfers were made to provide for the payment of expenditures in a nonmajor governmental funds.

	Transfer from: General Fund
Transfer to:	
Nonmajor Governmental Fund	\$ 93,853

**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with the Ohio Schools Risk Authority. The deductible is \$ 1,000 per incident. All vehicles are insured with the Ohio Schools Risk Authority and have a \$ 1,000 deductible. All board members, administrators, and employees are covered under a school district liability policy with the Ohio Schools Risk Authority. The limits of this coverage are \$ 2,000,000 per occurrence and \$ 4,000,000 aggregate. The District provides medical and life insurance to employees through commercial insurance coverage. The treasurer is covered with a surety bond for \$ 50,000. Remaining employees who handle money are covered by a commercial coverage crime policy in the amount of \$ 50,000. This coverage is provided by the Westfield Insurance Company. The District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide health and medical benefits. LERC is a fully insured consortium. The District provides medical, vision and dental benefits to most employees. The premium and coverages vary with employee depending on marital status.

The 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 Ohio School Boards Association (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 intent of the GRP is to achieve the benefit of a reduced premium for the 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 either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

Plan Description – The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$ 246,376, \$ 168,847 and \$ 151,907, respectively; 39.5 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal year 2009 and 2008.

B. STATE TEACHERS RETIREMENT SYSTEM

Plan Description – The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.



CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$ 844,579, \$ 811,192, and \$ 799,493, respectively; 83.6 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administrated by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 1.22 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800. During fiscal year 2010, the District paid \$ 29,317 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (continued)

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$ 8,868, \$ 77,272, and \$ 69,320, respectively; 39.5 percent has been contributed for fiscal years 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008, were \$ 14,652, \$ 13,931, and \$ 11,277 respectively; 39.5 percent has been contribution for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. STATE TEACHERS RETIREMENT SYSTEM

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$ 64,968, \$ 62,399, and \$ 61,499 respectively; 83.6 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 13 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2010 were as follows:

	Balance			Balance	Amounts
	June 30, 2009	Increase	Decrease	June 30, 2010	Due In One Year
Bonds payable	\$ 4,780,000	\$ -	\$ 155,000	\$ 4,625,000	\$ 175,000
Loan payable	-	91,000	-	91,000	28,845
Capital leases	143,016	-	63,447	79,569	43,737
Compensated absences	951,481	392,412	70,572	1,273,321	162,659
	<u>\$ 5,874,497</u>	<u>\$ 483,412</u>	<u>\$ 289,019</u>	<u>\$ 6,068,890</u>	<u>\$ 410,241</u>

Bonds payable will be repaid from the Debt Service Fund. The loan payable will be repaid from the Track Renovation Special Revenue Fund. The capital lease obligations will be repaid from the General Fund. Compensated absences will be repaid from the funds from which employees' salaries are paid.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire bonds payable and loan payable outstanding at June 30, 2010, were as follows:

Year ending June 30,	Bonds Payable		Loan Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 175,000	\$ 253,028	\$ 28,845	\$ 4,015	\$ 203,845	\$ 257,043
2012	190,000	244,485	30,315	2,545	220,315	247,030
2013	210,000	235,147	31,840	1,001	241,840	236,148
2014	230,000	224,347	-	-	230,000	224,347
2015	235,000	212,997	-	-	235,000	212,997
2016 - 2020	1,560,000	824,074	-	-	1,560,000	824,074
2021 - 2024	2,025,000	285,550	-	-	2,025,000	285,550
	<u>\$ 4,625,000</u>	<u>\$ 2,279,628</u>	<u>\$ 91,000</u>	<u>\$ 7,561</u>	<u>\$ 4,716,000</u>	<u>\$ 2,287,189</u>

NOTE 14 – BONDS PAYABLE

Bonds payable at year end consisted of:

	Outstanding June 30, 2009	Additions	Deductions	Outstanding June 30, 2010
General obligation bonds				
Refunding bonds, (2006)				
4.000% through 2024	\$ 1,780,000	\$ -	\$ -	\$ 1,780,000
School Improvement, (1999)				
6.125% through 2024	1,145,000	-	70,000	1,075,000
Building construction, (2001)				
5.280% through 2023	1,855,000	-	85,000	1,770,000
	<u>\$ 4,780,000</u>	<u>\$ -</u>	<u>\$ 155,000</u>	<u>\$ 4,625,000</u>

The original amount of bonds issued in 1999 and 2001 were \$ 3,260,000 and \$ 2,410,000, respectively. At June 30, 2010, \$1,780,000 of the 1999 general obligation bonds are considered to be defeased. Principal payments are not due on the refunding bonds until December 2011.

NOTE 15 – LOAN PAYABLE

Loan payable at year end consisted of:

	Outstanding June 30, 2009	Additions	Deductions	Outstanding June 30, 2010
Buckeye Community Bank loan				
Track renovation (2010),				
5.000% through 2013	\$ -	\$ 91,000	\$ -	\$ 91,000

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 16 – CAPITAL LEASE

The District has entered into lease agreements for financing certain equipment and certain vehicles. These lease obligations meet the criteria of capital leases as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases." Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Equipment acquired by lease has been capitalized and depreciated as follows:

	Cost	Accumulated Depreciation	Net
Equipment	\$ 206,177	\$ 142,262	\$ 63,915

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of June 30, 2010.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, are as follows:

	Year ending June 30,	Amount
	2011	\$ 47,737
	2012	36,975
Total minimum lease payments		84,712
Less amount representing interest		5,143
Net present value of minimum lease payments		\$ 79,569

NOTE 17 - SET-ASIDES

The District is required by State statute to annually set aside, in the General Fund, an amount based on a 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital maintenance during fiscal year 2010.

	Textbook	Capital Maintenance
Balance, July 1, 2009	\$ 89,303	\$ 126,144
Required set aside	274,852	274,852
Offsetting credits	-	(117,860)
Qualifying expenditures	(355,246)	(40,486)
Balance June 30, 2010	\$ 8,909	\$ 242,650

The amount required by State statute to be set aside to create a reserve for textbooks and capital maintenance is limited to the pooled cash balance in the General Fund.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 18 - CONTINGENCIES

The 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 is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed to provide data processing services for accounting, administrative and instructional functions of member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software packages utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent.

LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2010, the District paid \$ 310,739 to LEECA.

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

The Lake Erie Regional Council of Governments (LERC) is a jointly governed organization among fourteen districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, food service and insurance. Each member provided operating resources to LERC on a per pupil or usage charge except for insurance. The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2010 the District paid \$ 987 to LERC.

C. LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide vocational and special education needs of the students. The Board of the Lorain County Joint Vocational School District is comprised of representatives from each participating school district and is responsible for approving its own budgets, appointing personnel, accounting, and financing related activities.

Each School District's control is limited to its representation on the Board. The Clearview Local School District's students may attend the Lorain County Joint Vocational School District. Financial information can be obtained by contacting the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA served as the the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 147 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing

NOTE 20 – SUBSEQUENT EVENTS

In November 2010, the citizens of the School District approved the passage of a 3.92 mill renewal levy. This levy will generate approximately \$ 341,000 per year over the next five years.

In November 2010, the citizens of the School District approved the passage of a 1.00 mill permanent improvement levy. This levy will generate approximately \$ 87,000 per year over the next five years.

**CLEARVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor</b> <i>Pass Through Grantor</i> Program Title	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. Department of Agriculture</b>					
<i>Passed Through the Ohio Department of Education:</i>					
Child Nutrition Cluster:					
National School Lunch Program	10.555	\$417,399	\$33,764	\$417,399	\$33,764
School Breakfast Program	10.553	159,921	0	159,921	0
Total Child Nutrition Cluster		<u>577,320</u>	<u>33,764</u>	<u>577,320</u>	<u>33,764</u>
ARRA Cafeteria Assistance	10.579	3,228	0	3,228	0
Fresh Fruit and Vegetable Program	10.582	7,104	0	7,104	0
<b>Total U.S. Department of Agriculture</b>		<b><u>587,652</u></b>	<b><u>33,764</u></b>	<b><u>587,652</u></b>	<b><u>33,764</u></b>
<b>U.S. Department of Education</b>					
<i>Passed Through the Ohio Department of Education:</i>					
Special Education Cluster:					
Special Education-Grants to States	84.027	295,414	0	276,834	0
ARRA Special Education-Grants to States	84.391	255,771	0	209,170	0
Total Special Education Cluster		<u>551,185</u>	<u>0</u>	<u>486,004</u>	<u>0</u>
Title I Grants to Local Educational Agencies	84.010	330,917	0	354,813	0
ARRA Title I Grants to Local Educational Agencies	84.389	179,755	0	147,347	0
Total Title I Grants to Local Educational Agencies		<u>510,672</u>	<u>0</u>	<u>502,160</u>	<u>0</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	6,008	0	4,808	0
Education Technology State Grants	84.318	3,250	0	3,250	0
Improving Teacher Quality State Grants	84.367	95,309	0	93,563	0
ARRA State Fiscal Stabilization Funding	84.394	471,524	0	274,813	0
<b>Total U.S. Department of Education</b>		<b><u>1,637,948</u></b>	<b><u>0</u></b>	<b><u>1,364,598</u></b>	<b><u>0</u></b>
<b>U.S. Department of Health and Human Services</b>					
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>					
Medicaid Schools Program	93.778	16,212	0	0	0
<b>Total U.S. Department of Health and Human Services</b>		<b><u>16,212</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Total Federal Assistance</b>		<b><u>\$2,241,812</u></b>	<b><u>\$33,764</u></b>	<b><u>\$1,952,250</u></b>	<b><u>\$33,764</u></b>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**CLEARVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – MEDICAID SCHOOLS PROGRAM**

The District received a total settlement of Medicaid Schools Program receipts of \$16,212 during the fiscal year. The amount reported as total receipts on the Schedule represents amounts related to settlements for Community Alternative Funding System (CAFS) services provided during prior years.





# Dave Yost • Auditor of State

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

Clearview Local School District  
Lorain County  
4700 Broadway Avenue  
Lorain, Ohio 44052

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clearview Local School District, Lorain County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

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

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 31, 2011.

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

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

**Dave Yost**  
Auditor of State

January 31, 2011



# Dave Yost • Auditor of State

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

Clearview Local School District  
Lorain County  
4700 Broadway Avenue  
Lorain, Ohio 44052

To the Board of Education:

### Compliance

We have audited the compliance of the Clearview Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Clearview 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 and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in finding 2010-001 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding activities allowed or unallowed applicable to its State Fiscal Stabilization Fund – Education State Grants (Education Stabilization Fund) major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

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

### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-001 to be a material weakness.

The District's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 31, 2011.

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



**Dave Yost**  
Auditor of State

January 31, 2011

**CLEARVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified on all major federal programs except for State Fiscal Stabilization Grant.
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: ARRA and Non-ARRA Special Education Grants to States, IDEA Part B – CFDA #84.027 and #84.391, respectively; ARRA and Non-ARRA Title I, Grants to Local Educational Agencies – CFDA #84.010 and #84.389, respectively; State Fiscal Stabilization Fund – CFDA #84.394.
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

**CLEARVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(CONTINUED)**

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

**State Fiscal Stabilization Fund**

<b>Finding Number</b>	2010-001
<b>CFDA Title and Number</b>	# 84.394 State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Activities Allowed or Unallowed – Noncompliance / Questioned Cost / Material Weakness**

For a cost to be allowable, it must be for a purpose the specific award permits and fall within A-87's (codified in 2 CFR Part 225) allowable cost guidelines. In accordance with the specific award purpose, section 14003 of the ARRA legislation prohibits expenditures for the purchase or upgrades of vehicles to be charged to the State Fiscal Stabilization Fund (SFSF) grant.

During fiscal year 2010, the District used their State Fiscal Stabilization Fund (SFSF) monies, in part, to pay off their October 2009 school bus lease in the amount of \$74,043. In addition, the District spent \$10,328 of their State Fiscal Stabilization Fund (SFSF) monies for a District-wide radio system upgrade to all school buses. Adequate internal controls to help assure this money was spent only for allowable purposes were not in place. As a result, the District spent a total of \$84,371 of their State Fiscal Stabilization Fund (SFSF) monies on activities that are considered unallowable by ARRA legislation, and thereby, are considered questioned costs.

The District should establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements, including internal control designed to ensure compliance with ARRA requirements.

**Officials' Response**

There were never initiated guidelines in the beginning of these funds or until later after the funds were received. The Treasurer contacted the State Coordinator's Office often in which no guidelines were given. The District used the State Fiscal Stabilization Fund monies to purchase a bus for all students. There was also an upgrading of bus radios for the safety of students. The District was instructed that these purchases were permissible. The State Coordinator's Office only instructed the District not to supplant. The District now understands that there are guidelines.

**CLEARVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Financial Reporting – Significant Deficiency/Material Weakness: A material audit adjustment was made to the financial statements due to a conversion error.	Yes	N/A

**This Page is Intentionally Left Blank.**





# Dave Yost • Auditor of State

**CLEARVIEW LOCAL SCHOOL DISTRICT**

**LORAIN 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  
FEBRUARY 22, 2011**