



Dave Yost • Auditor of State

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

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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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clearview Local School District, Lorain County, Ohio, as of June 30, 2012, 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 22, 2013, 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 22, 2013

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
UNAUDITED

The management discussion and analysis of the 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, 2012. 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 basic 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 2012 are as follows:

In total, net assets decreased by \$ 1,727,693.

Revenues for governmental activities totaled \$ 15,629,041 in 2012. Of this total, 65.55 percent consisted of General revenues while Program revenues accounted for the remaining balance of 34.45 percent.

Program expenses totaled \$ 17,356,734. Instructional expenses made up 53.71 percent of this total while support services accounted for 35.87 percent. Other expenses rounded out the remaining 10.42 percent.

Using this Financial Report

This annual report consists of a series of basic financial statements and notes pertaining to those statements. These statements are organized so the reader can understand the 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 the 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 2012?" 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, 2012
UNAUDITED

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 operations 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.

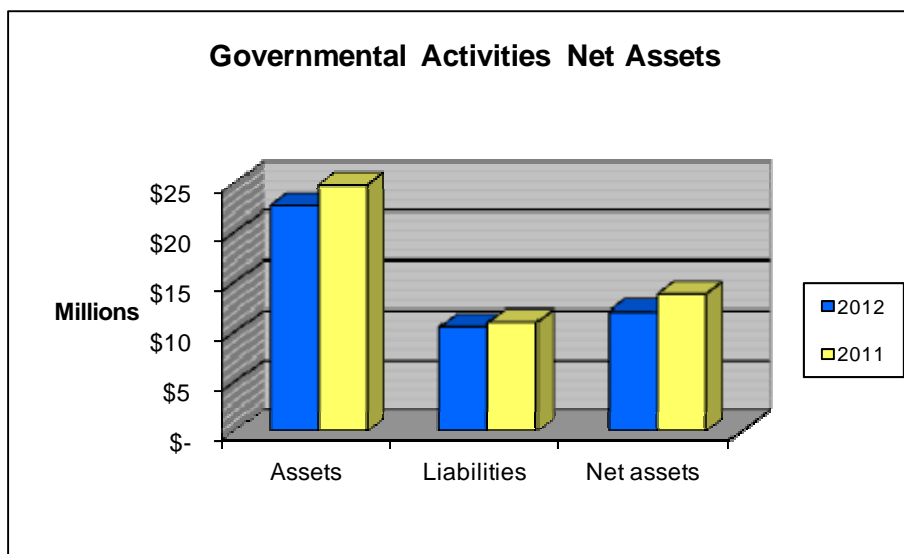
CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
UNAUDITED

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 2012 compared to 2011:

Table 1
Total Net Assets

	2012	2011
Assets		
Current and other assets	\$ 4,616,344	\$ 6,451,773
Total capital assets, net	18,007,187	18,383,264
Total assets	<u>22,623,531</u>	<u>24,835,037</u>
Liabilities		
Current liabilities	4,809,251	5,282,046
Long term liabilities		
Due within one year	465,193	424,853
Due in more than one year	5,287,475	5,338,833
Total liabilities	<u>10,561,919</u>	<u>11,045,732</u>
Net assets		
Invested in capital assets, net of related debt	13,644,197	13,835,277
Restricted	603,623	753,727
Unrestricted (deficit)	(2,186,208)	(799,699)
Total net assets	<u>\$ 12,061,612</u>	<u>\$ 13,789,305</u>



CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
UNAUDITED

Governmental Activities

Total assets decreased by \$ 2,211,506. This is primarily the result of decreases of \$ 1,073,638 in equity in pooled cash, \$ 396,438 in restricted cash, \$ 229,275 in due from other governments, \$ 133,858 in taxes receivable and \$ 376,077 in capital assets. The decrease in capital assets is primarily the result of depreciation expense.

Total liabilities decreased by \$ 483,813. The decrease can primarily be attributed to decreases in unearned revenue of \$ 319,867 and in accrued salaries, wages and benefits of \$ 292,539. These decreases were offset by an increase in accounts payable of \$ 191,332.

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 \$ 1,727,693.

The vast majority of revenue supporting all Governmental Activities is General revenue. General revenues totaled \$ 10,244,419 or 65.55 percent of the total revenues. The most significant portion of the General revenues is from grants and entitlements. The remaining amount of revenue was in the form of program revenues which equated to \$ 5,384,622 or 34.45 percent of total revenue.

Table 2 summarizes the revenues, expenses and the changes in net assets for fiscal year 2012 compared to 2011.

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
UNAUDITED

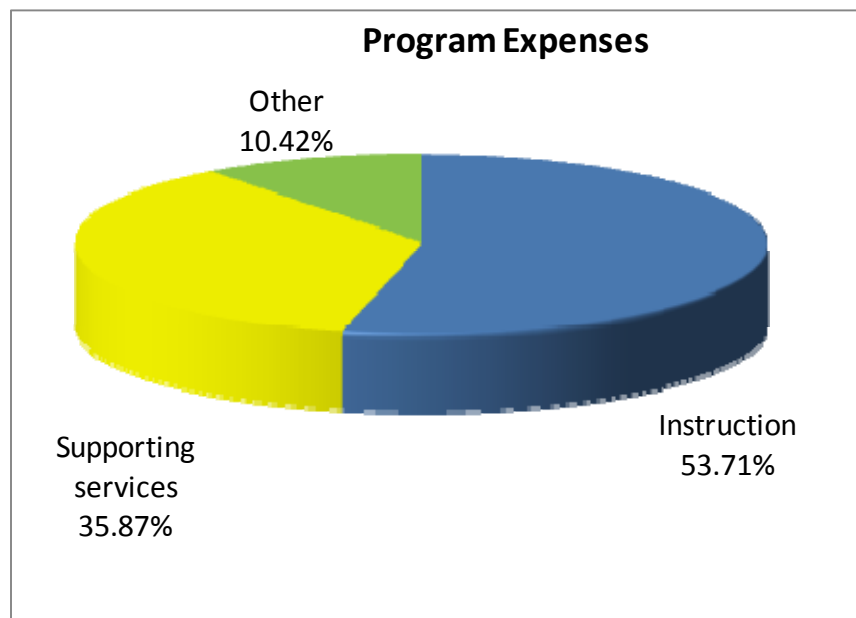
Table 2
Governmental Activities

Revenues	2012	2011
Program revenues		
Charges for services	\$ 3,531,458	\$ 3,500,002
Operating grants, interest and contributions	1,853,164	2,276,363
Total program revenues	<u>5,384,622</u>	<u>5,776,365</u>
General revenues		
Property taxes	2,868,189	3,423,663
Grants and entitlements not restricted to specific purposes	7,298,226	7,318,780
Investment earnings	11,839	15,645
Miscellaneous	66,165	60,767
Total general revenues	<u>10,244,419</u>	<u>10,818,855</u>
Total revenues	<u>15,629,041</u>	<u>16,595,220</u>
Program expenses		
Instruction	9,322,757	9,541,583
Supporting services		
Pupil and instructional staff	1,763,824	1,659,414
Board of education, administration, fiscal and business	2,106,680	1,668,189
Operation and maintenance	1,681,590	1,635,109
Pupil transportation	486,448	529,972
Central services	187,509	145,480
Operation of non-instructional services		
Food service operation	1,017,646	885,326
Community services	15,557	5,660
Other operations	62,427	27,376
Extracurricular activities	464,431	451,347
Interest	247,865	295,421
Total program expenses	<u>17,356,734</u>	<u>16,844,877</u>
Change in net assets	(1,727,693)	(249,657)
Net assets, beginning of year	13,789,305	14,038,962
Net assets, end of year	<u>\$ 12,061,612</u>	<u>\$ 13,789,305</u>

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
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The School District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In June of 2012, 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 53.71 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 35.87 percent. The remaining program expenses of 10.42 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, 2012
UNAUDITED

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$ 9,322,757	\$ 9,541,583	\$ (5,200,241)	\$ (5,155,725)
Supporting services				
Pupil and instructional staff	1,763,824	1,659,414	(1,582,627)	(1,517,790)
Board of education, administration, fiscal and business	2,106,680	1,668,189	(2,094,218)	(1,489,763)
Operation and maintenance	1,681,590	1,635,109	(1,681,590)	(1,634,876)
Pupil transportation	486,448	529,972	(486,448)	(517,778)
Central services	187,509	145,480	(187,509)	(139,578)
Operation of non-instructional services				
Food service operation	1,017,646	885,326	(94,604)	12,373
Community services	15,557	5,660	(15,557)	(5,660)
Other operations	62,427	27,376	(47,550)	(4,089)
Extracurricular activities	464,431	451,347	(333,903)	(320,205)
Interest	247,865	295,421	(247,865)	(295,421)
Total expenses	<u>\$ 17,356,734</u>	<u>\$ 16,844,877</u>	<u>\$(11,972,112)</u>	<u>\$(11,068,512)</u>

Program revenues fund 31.02 percent of all governmental expenses. Grants and entitlements not restricted to specific programs support 42.05 percent. Approximately 16.52 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2012, the School District's governmental funds reported combined ending fund balances of (\$ 1,025,958) a decrease of \$ 1,247,598 in comparison with the prior year. Of that amount (\$ 1,641,417) constitutes unassigned fund balances.

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 15.7 million and expenditures of \$ 17.1 million. The net change in fund balance for the year was most significant in the General Fund, which had a decrease of \$ 969,684, as compared to an decrease of \$ 247,781 in fiscal year 2011.

Total revenues reported in fiscal year 2012 decreased \$ 368,768 or 2.29 percent from the previous year. This decrease in revenue is primarily due to a decrease in intergovernmental revenue. Total expenditures reported in fiscal year 2012 increased \$ 593,351 or 3.59 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, 2012
UNAUDITED

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 2012, 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, excluding other sources, was less than final budgetary projections by \$ 225,440. Actual expenditures for the year, excluding other uses, were \$ 222,195 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 2012, the School District had \$ 18,007,187 invested in land, buildings, equipment and vehicles. Table 4 shows fiscal 2012 values compared to 2011.

Table 4
Capital Assets at June 30,
Governmental Activities

	2012	2011
Land	\$ 47,080	\$ 47,080
Building and improvements	17,549,093	17,859,357
Furniture and equipment	271,845	332,912
Vehicles	139,169	143,915
	\$ 18,007,187	\$ 18,383,264

During fiscal 2012, the capital assets had a net decrease of \$ 376,077 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, 2012
UNAUDITED

Debt

At June 30, 2012 the School District had \$ 4,248,779 in outstanding bonds and \$ 122,991 in outstanding loans payable. The 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 2025. The loan proceeds were used to renovate the outdoor track and the elementary school parking lot. The loans are to be repaid in quarterly payments of interest and principal through 2013.

For more information about the District's debt, see Notes 13 - 15 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.

In November, 2011, a 6.53 mill, five year, renewal levy was passed, along with a new 1 mill, five year, permanent improvement levy

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.

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CLEARVIEW LOCAL SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities
Assets	
Equity in pooled cash	\$ 754,538
Taxes receivable	3,861,806
Capital assets	
Nondepreciable capital assets	47,080
Depreciable capital assets	17,960,107
Total assets	<u>22,623,531</u>
Liabilities	
Accounts and contracts payable	225,230
Accrued salaries, wages and benefits	1,372,811
Accrued interest payable	19,590
Due to other governments	373,565
Unearned revenue	2,770,027
Unamortized bond premium	48,028
Long term liabilities	
Due within one year	465,193
Due in more than one year	5,287,475
Total liabilities	<u>10,561,919</u>
Net assets	
Invested in capital assets, net of related debt	13,644,197
Restricted for:	
Debt service	372,240
Capital projects	12,351
Extracurricular	12,312
State grants	2,700
Federal grants	72,868
Donations	24,215
Other purposes	106,937
Unrestricted (deficit)	(2,186,208)
Total net assets	<u>\$ 12,061,612</u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	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	\$ 7,639,347	\$ 3,160,505	\$ 328,638	\$ (4,150,204)
Special	1,486,106	-	633,373	(852,733)
Vocational	197,304	-	-	(197,304)
Supporting services				
Pupil	1,127,860	48,632	95,725	(983,503)
Instructional staff	635,964	16,137	20,703	(599,124)
Board of education	57,443	-	-	(57,443)
Administration	1,260,672	-	12,462	(1,248,210)
Fiscal services	440,002	-	-	(440,002)
Business	348,563	-	-	(348,563)
Operation and maintenance	1,681,590	-	-	(1,681,590)
Pupil transportation	486,448	-	-	(486,448)
Central services	187,509	-	-	(187,509)
Operation of non-instructional services				
Food service operation	1,017,646	160,779	762,263	(94,604)
Community services	15,557	-	-	(15,557)
Other operations	62,427	14,877	-	(47,550)
Extracurricular activities	464,431	130,528	-	(333,903)
Interest	247,865	-	-	(247,865)
Totals	<u>\$ 17,356,734</u>	<u>\$ 3,531,458</u>	<u>\$ 1,853,164</u>	<u>(11,972,112)</u>

General revenues	
Property taxes levied for:	
General purpose	2,362,018
Debt service	392,656
Capital improvements	113,515
Grants and entitlements not restricted to specific purposes	7,298,226
Investment earnings	11,839
Miscellaneous	66,165
Total general revenues	<u>10,244,419</u>

Change in net assets	(1,727,693)
Net assets, beginning of year	13,789,305
Net assets, end of year	<u>\$ 12,061,612</u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT

BALANCE SHEET -
GOVERNMENTAL FUNDS

JUNE 30, 2012

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 134,803	\$ 267,975	\$ 351,760	\$ 754,538
Receivables, net of allowance				
Taxes, current	2,562,992	424,048	114,866	3,101,906
Taxes, delinquent	627,900	103,900	28,100	759,900
Interfund receivable	65,200	-	-	65,200
Total assets and other debits	\$ 3,390,895	\$ 795,923	\$ 494,726	\$ 4,681,544
Liabilities and fund balances				
Liabilities				
Accounts and contracts payable	\$ 190,618	\$ -	\$ 34,612	\$ 225,230
Accrued salaries, wages and benefits	1,196,063	-	176,748	1,372,811
Due to other governments	336,836	-	36,729	373,565
Interfund payable	-	-	65,200	65,200
Unearned revenue	2,920,461	479,555	129,911	3,529,927
Accrued leave benefits	140,769	-	-	140,769
Total liabilities	4,784,747	479,555	443,200	5,707,502
Fund balances				
Restricted	-	316,368	217,724	534,092
Assigned	81,367	-	-	81,367
Unassigned (deficit)	(1,475,219)	-	(166,198)	(1,641,417)
Total fund balances	(1,393,852)	316,368	51,526	(1,025,958)
Total liabilities and fund balances	\$ 3,390,895	\$ 795,923	\$ 494,726	\$ 4,681,544

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, 2012

Total governmental funds balances	\$ (1,025,958)
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.	18,007,187
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.	759,900
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(1,240,129)
Accrued interest	(19,590)
Bonds payable	(4,248,779)
Unamortized bond premium	(48,028)
Loan payable	(122,991)
	(12,469,526)
Net assets of governmental activities	\$ 12,061,612

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, 2012

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,454,618	\$ 407,756	\$ 117,815	\$ 2,980,189
Tuition and fees	3,175,382	-	-	3,175,382
Interest	6,986	-	676	7,662
Intergovernmental	7,156,354	57,385	1,937,651	9,151,390
Extracurricular	48,632	-	128,643	177,275
Charges for services	-	-	159,022	159,022
Other	82,302	-	3,642	85,944
Total revenues	12,924,274	465,141	2,347,449	15,736,864
Expenditures				
Current				
Instruction				
Regular	6,964,523	-	471,364	7,435,887
Special	810,545	-	661,448	1,471,993
Vocational	183,278	-	-	183,278
Supporting services				
Pupil	978,051	-	129,818	1,107,869
Instructional staff	498,909	-	35,253	534,162
Board of education	56,980	-	-	56,980
Administration	1,103,019	-	91,730	1,194,749
Fiscal services	370,772	7,628	28,862	407,262
Business	309,145	-	37,703	346,848
Operation and maintenance	1,547,860	-	124,456	1,672,316
Pupil transportation	430,384	-	1,044	431,428
Central services	182,605	-	4,680	187,285
Operation of non-instructional services				
Food service operation	-	-	936,424	936,424
Community services	-	-	9,034	9,034
Enterprise operations	62,427	-	-	62,427
Extracurricular activities	296,485	-	151,668	448,153
Capital outlay	-	-	71,982	71,982
Debt service				
Principal	35,832	210,000	82,434	328,266
Interest	1,143	232,530	7,716	241,389
Total expenditures	13,831,958	450,158	2,845,616	17,127,732
Excess (deficiency) of revenues over expenditures	(907,684)	14,983	(498,167)	(1,390,868)
Other financing sources (uses)				
Transfers-in	-	-	62,000	62,000
Proceeds from note issuance	-	-	143,270	143,270
Transfers-out	(62,000)	-	-	(62,000)
Total other financing sources (uses)	(62,000)	-	205,270	143,270
Net change in fund balances	(969,684)	14,983	(292,897)	(1,247,598)
Fund balances, beginning of year	(424,168)	301,385	344,423	221,640
Fund balances, end of year	\$ (1,393,852)	\$ 316,368	\$ 51,526	\$ (1,025,958)

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, 2012

Net change in fund balances - total governmental funds \$ (1,247,598)

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	242,356		
	Depreciation expense	(618,433)		
				(376,077)

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

	Property taxes	(112,000)		
	Interest	4,177		
				(107,823)

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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the treatment of long-term debt and related items.

184,996

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	724		
	Annual accretion	(7,200)		
	Compensated absences	(174,715)		
				(181,191)

Change in net assets of governmental activities

\$ (1,727,693)

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, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Taxes	\$ 2,868,069	\$ 2,868,069	\$ 2,405,919	\$ (462,150)
Tuition and fees	3,117,636	3,117,636	3,160,505	42,869
Interest	6,859	6,859	6,953	94
Intergovernmental	7,161,522	6,964,464	7,157,426	192,962
Other	57,061	57,061	57,846	785
Total revenues	13,211,147	13,014,089	12,788,649	(225,440)
Expenditures				
Current				
Instruction				
Regular	7,281,149	7,181,831	7,068,599	113,232
Special	877,191	865,226	851,584	13,642
Vocational	204,392	201,604	198,425	3,179
Supporting services				
Pupil	897,402	885,161	871,205	13,956
Instructional staff	509,811	502,857	494,929	7,928
Board of education	58,497	57,699	56,789	910
Administration	1,180,324	1,164,224	1,145,868	18,356
Fiscal services	385,711	380,449	374,451	5,998
Business	338,258	333,644	328,384	5,260
Operation and maintenance	1,586,487	1,564,847	1,540,175	24,672
Pupil transportation	463,109	456,792	449,590	7,202
Central services	192,425	189,800	186,808	2,992
Extracurricular activities	313,021	308,751	303,883	4,868
Total expenditures	14,287,777	14,092,885	13,870,690	222,195
Excess (deficiency) of revenues over expenditures	(1,076,630)	(1,078,796)	(1,082,041)	(3,245)
Other financing sources (uses)				
Advances-in	18,101	18,101	18,350	249
Refund of prior year expenditures	343	343	348	5
Transfers-out	(91,674)	(90,426)	(89,000)	1,426
Advances-out	(67,229)	(66,311)	(65,266)	1,045
Total other financing sources (uses)	(140,459)	(138,293)	(135,568)	2,725
Net change in fund balances	(1,217,089)	(1,217,089)	(1,217,609)	(520)
Fund balances, beginning of year	1,046,082	1,046,082	1,046,082	-
Prior year encumbrances	179,615	179,615	179,615	-
Fund balances, end of year	\$ 8,608	\$ 8,608	\$ 8,088	\$ (520)

See accompanying notes to the basic financial statements.

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

JUNE 30, 2012

	Agency Funds
Assets	
Equity in pooled cash	\$ 56,540
Total assets	<u>\$ 56,540</u>
Liabilities	
Accounts payable	\$ 2,389
Due to students	50,036
Due to others	4,115
Total liabilities	<u>\$ 56,540</u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2011 was 1,701. The District employs 131 certificated and 78 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 has no component units.

The District is associated with the North Coast Council, formerly 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 18 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, 2012

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 of 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, 2012

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, 2012

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 bases 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, 2012, but which were levied to finance fiscal year 2013 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, 2012

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, 2012 totaled \$ 7,662. Interest revenue credited to the General Fund amounted to \$ 6,986 which includes \$ 601 assigned from other District funds.

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.

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, 2012. At June 30, 2012, the District did not have deposits in STAR Ohio. 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, 2012

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, 2012

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 \$ 603,623 of restricted net assets, none of which is restricted by enabling legislation.

N. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE (continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

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.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 – DEFICIT FUND EQUITY

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

General Fund	\$ (1,393,852)
Non-major Funds	
Education Jobs	\$ (43,141)
Race to the Top	\$ (5,079)
IDEA Part B	\$ (49,159)
Title II D	\$ (3,318)
Title I	\$ (41,816)
Improving Teacher Quality	\$ (16,736)
Permanent Improvement	\$ (6,949)

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 General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The District, in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year.

NOTE 3 - 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).

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

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	\$ (1,217,609)
Adjustments, increase (decrease)	
Revenue accruals	26,709
Expenditure accruals	206,362
Funds budgeted elsewhere **	(27,485)
Encumbrances	42,339
GAAP basis, as reported	\$ (969,684)

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Special Trust Fund, Public School Support Fund, Uniform School Supplies Fund, and the Latchkey Fund.

NOTE 4 – FUND BALANCES

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

Fund balances	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Restricted for:				
Food service operations	\$ -	\$ -	\$ 7,492	\$ 7,492
Athletics	-	-	12,312	12,312
Fiscal stabilization	-	-	13,704	13,704
Other purposes	-	-	86,079	86,079
Debt service	-	316,368	-	316,368
Capital improvements	-	-	98,137	98,137
Total restricted	-	316,368	217,724	534,092
Assigned to				
Other purposes	81,367	-	-	81,367
Total assigned	81,367	-	-	81,367
Unassigned (deficit)	(1,475,219)	-	(166,198)	(1,641,417)
Total fund balances	\$ (1,393,852)	\$ 316,368	\$ 51,526	\$ (1,025,958)

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012

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 \$ 807,978 and the bank balance was \$ 977,257. Of the bank balance, \$ 535,260 was covered by federal depository insurance and \$ 441,997 was uninsured. Of the remaining balance, \$ 441,997 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. INTEREST RATE RISK

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

D. CREDIT RISK

The District follows the Ohio Revised Code that limits its investment choices.

E. 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, 2012

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 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 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 2012 (other than public utility property tax) represents the collection of 2012 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 2012 were levied after October 1, 2011, on the value as of December 31, 2011. 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, 2012, are available to finance fiscal year 2012 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, 2012 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 were 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, 2012, was \$ 270,431 in the General Fund, \$ 4,070 in the Classroom Facilities Fund, \$ 48,393 in the Debt Service Fund, and \$ 8,985 in the Capital Projects Fund. The amount available as an advance at June 30, 2011, was \$ 221,732 in the General Fund, \$ 3,136 in the Capital Facilities Fund, and \$ 37,205 in the Debt Service Fund.

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2012

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 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	%	Amount	%
Agricultural Residential				
Real Estate	\$ 59,646,860	67.13 %	\$ 59,616,430	68.08 %
Other Commercial	26,367,080	29.67	24,971,510	28.51
Tangible Personal Property	2,847,610	3.20	2,988,980	3.41
	\$ 88,861,550	100.00 %	\$ 87,576,920	100.00 %
 Tax Rate per \$ 1,000 of Assessed Valuation:	\$ 54.76		\$ 54.91	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of property taxes. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables are expected to be collected within one year.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 - CAPITAL ASSETS

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

Governmental Activities	Balance June 30, 2011	Additions	Disposals	Balance June 30, 2012
Nondepreciable capital assets				
Land	\$ 47,080	\$ -	\$ -	\$ 47,080
Total nondepreciable capital assets	<u>47,080</u>	<u>-</u>	<u>-</u>	<u>47,080</u>
Depreciable capital assets				
Buildings and improvements	22,014,004	216,442	-	22,230,446
Furniture and equipment	887,837	8,145	-	895,982
Vehicles	518,541	17,769	-	536,310
Total capital assets being depreciated	<u>23,420,382</u>	<u>242,356</u>	<u>-</u>	<u>23,662,738</u>
Less accumulated depreciation				
Buildings and improvements	4,154,647	526,706	-	4,681,353
Furniture and equipment	554,925	69,212	-	624,137
Vehicles	374,626	22,515	-	397,141
Total accumulated depreciation	<u>5,084,198</u>	<u>618,433</u>	<u>-</u>	<u>5,702,631</u>
Depreciable capital assets, net of accumulated depreciation	<u>18,336,184</u>	<u>(376,077)</u>	<u>-</u>	<u>17,960,107</u>
Governmental activities capital assets, net	<u>\$ 18,383,264</u>	<u>\$ (376,077)</u>	<u>\$ -</u>	<u>\$ 18,007,187</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 275,036
Special	72,901
Vocational	14,026
Supporting services	
Pupil	19,495
Instructional staff	47,694
Board of education	463
Administration	40,282
Fiscal	10,978
Business	1,715
Operation and maintenance of plant	56,244
Pupil transportation	34,550
Central services	2,109
Operation of non-instructional services	
Food service	15,794
Community services	2,006
Extracurricular activities	25,140
Total depreciation expense	<u>\$ 618,433</u>

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 9 - INTERFUND ACTIVITY

On the fund financial statements at June 30, 2012, interfund balances consisted of the following:

	Due to: General Fund <hr style="width: 100%;"/>
Due from:	
Nonmajor Governmental Funds	\$ 65,200 <hr style="width: 100%;"/>

During the year ended June 30, 2012, transfers were made to provide for the payment of expenditures in a nonmajor governmental fund.

	Transfer from: General Fund <hr style="width: 100%;"/>
Transfer to:	
Nonmajor Governmental Fund	\$ 62,000 <hr style="width: 100%;"/>

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. 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 varies with employee depending on marital status and employee classification.

For fiscal year 2012, the District participated in the Sheakley Workers' Compensation Group rating Program. The program is intended to reduce premiums for the participants. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the program. Each participant pays its rate. Participation in the program is limited to members that can meet the program's selection criteria. The districts apply for participation each year. Sheakley Co. provides administrative, cost control, and actuarial services to the program. Each year the District pays an enrollment fee to the program to cover the costs of administration

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 100 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employee/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2012, 2011, and 2010 were \$ 279,270, \$ 130,826 and \$ 246,376, respectively; 64.8 percent has been contributed for fiscal year 2012 and 100 percent has been contributed for fiscal years 2011 and 2010.

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.

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM

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

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

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

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% of member and 14% for employers. Contribution requirements and contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$ 900,813, \$ 879,433 and \$ 844,579, respectively 83.1 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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, 2012, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

Plan Description - In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan - The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$ 99.90 for most participants, but could be as high as \$ 319.70 per month depending on their income. SERS' reimbursement to retirees was \$ 45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75%. The District's contributions for the years ended June 30, 2012, 2011 and 2010 were \$ 16,492, \$ 8,419, and \$ 14,652, respectively; 64.8 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM (continued)

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$ 18,524, \$ 15,841, and \$ 8,868, respectively; 64.8 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 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 post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$ 57,583, \$ 67,649, and \$ 64,968, respectively; 83.1 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13 - LONG-TERM OBLIGATIONS

The original issue date, interest rate, original issue amount and maturity date for each of the District's long-term obligations follows:

	Original Issue Date	Interest Rate	Original Issue Amount	Date of Maturity
General obligation bonds				
School Improvement	1999	6.125%	\$ 3,260,000	2024
Building construction	2001	5.280%	\$ 2,410,000	2023
Refunding bonds	2006	4.000%	\$ 1,780,000	2024
Refunding				
Term and serial	2011	2.90% - 3.75%	\$ 720,000	2024
Capital appreciation	2011	3.900%	\$ 54,999	2020
Loans payable				
Track renovations	2010	5.000%	\$ 91,000	2013
Parking lot repairs	2012	5.000%	\$ 143,270	2014

In 2006, \$ 1,780,000 of the 1999 school improvement bonds were advance refunded.

Changes in the District's long-term obligations during fiscal year 2012 were as follows:

	Balance June 30, 2011	Increase	Decrease	Balance June 30, 2012	Amounts Due In One Year
Bonds payable	\$ 4,449,999	\$ -	\$ 210,000	\$ 4,239,999	\$ 220,000
Accretion on capital appreciation bonds	1,580	7,200	-	8,780	-
Loan payable	62,155	143,270	82,434	122,991	104,424
Capital leases	35,832	-	35,832	-	-
Compensated absences	1,214,120	253,960	87,182	1,380,898	140,769
	<u>\$ 5,763,686</u>	<u>\$ 404,430</u>	<u>\$ 415,448</u>	<u>\$ 5,752,668</u>	<u>\$ 465,193</u>

Bonds payable will be repaid from the Debt Service Fund. The loans payable will be repaid from the Other Grants Special Revenue Fund. The capital lease obligation was 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, 2012

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire bonds payable and loan payable outstanding at June 30, 2012, were as follows:

Year ending June 30,	Bonds Payable		Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 220,000	\$ 219,060	\$ 104,424	\$ 4,212	\$ 324,424	\$ 223,272
2014	240,000	207,970	18,567	232	258,567	208,202
2015	245,000	196,330	-	-	245,000	196,330
2016	270,000	183,849	-	-	270,000	183,849
2017	300,000	167,974	-	-	300,000	167,974
2018 - 2022	1,739,999	661,849	-	-	1,739,999	661,849
2023 - 2025	1,225,000	96,876	-	-	1,225,000	96,876
	<u>\$ 4,239,999</u>	<u>\$ 1,733,908</u>	<u>\$ 122,991</u>	<u>\$ 4,444</u>	<u>\$ 4,362,990</u>	<u>\$ 1,738,352</u>

NOTE 14 – BONDS PAYABLE

Bonds payable at year end consisted of:

	Outstanding June 30, 2011	Additions	Deductions	Outstanding June 30, 2012	Due within 1 year
General obligation bonds					
School Improvement, (1999) 6.125% through 2024	\$ 985,000	\$ -	\$ -	\$ 985,000	\$ -
Building construction, (2001) 5.280% through 2023	910,000	-	90,000	820,000	100,000
Refunding bonds, (2006) 4.000% through 2024	1,780,000	-	100,000	1,680,000	110,000
Refunding bonds, (2011) Term and serial bonds 2.9% - 3.8% through 2024	720,000	-	20,000	700,000	10,000
Capital appreciation bonds 3.9% - 3.8% through 2020	54,999	-	-	54,999	-
Accretion on capital appreciation bonds	1,580	7,200	-	8,780	-
	<u>\$ 4,451,579</u>	<u>\$ 7,200</u>	<u>\$ 210,000</u>	<u>\$ 4,248,779</u>	<u>\$ 220,000</u>

At June 30, 2012, \$1,685,000 of the 1999 general obligation bonds and \$ 775,000 of the 2001 general obligation bonds are considered to be defeased.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 15 – LOAN PAYABLE

Loan payable at year end consisted of:

	<u>Outstanding June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2012</u>	<u>Due within 1 year</u>
Buckeye Community Bank loan					
Track renovation (2010), 5.000% through 2013	\$ 62,155	\$ -	\$ 30,315	\$ 31,840	\$ 31,840
Parking lot repair (2012), 5.000% through 2014	-	143,270	52,119	91,151	72,584
	<u>\$ 62,155</u>	<u>\$ 143,270</u>	<u>\$ 82,434</u>	<u>\$ 122,991</u>	<u>\$ 104,424</u>

NOTE 16 - 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 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 capital maintenance during fiscal year 2012.

	<u>Capital Maintenance</u>
Balance, July 1, 2011	\$ 337,557
Required set aside	293,482
Offsetting credits	(203,435)
Qualifying expenditures	(476,910)
Balance June 30, 2012	<u>\$ (49,306)</u>
Set aside carried forward	<u>\$ -</u>

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

NOTE 17 - 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, 2012.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION

The Lake Erie Educational Computer Association (LEECA), now known as North Coast Council, 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, 2012, the District paid \$ 242,063 to LEECA.

Effective July 1, 2012, the Lake Erie Educational Computer Association and Lakeshore Northeast Ohio Computer Association merged to form the North Coast Council and continues to provide similar services to the District.

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, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2012, the District paid \$ 385 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, 2012

NOTE 18 - 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 19 – STATEWIDE REVIEW OF ATTENDANCE DATA

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

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

NOTE 20 – SUBSEQUENT EVENTS

The District passed a 2.99 mill property tax levy on November 6, 2012. Funds will be used for day-to-day operating expenses such as utilities, class supplies, textbooks, busing, personnel wages and special education.

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CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$277,986	\$0	\$277,986	\$0
National School Lunch Program	10.555	441,942	42,696	441,942	42,696
Total Child Nutrition Cluster		<u>719,928</u>	<u>42,696</u>	<u>719,928</u>	<u>42,696</u>
I Fresh Fruit and Vegetable Program	10.582	27,875	0	27,875	0
Total U.S. Department of Agriculture		<u>747,803</u>	<u>42,696</u>	<u>747,803</u>	<u>42,696</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Cluster (IDEA):					
Special Education - Grants to States (IDEA, Part B) - 2011	84.027	39,226	0	60,944	0
Special Education - Grants to States (IDEA, Part B) - 2012	84.027	296,929	0	304,034	0
ARRA - Special Education - Grants to States (IDEA, Part B) - 2011	84.391	7,291	0	12,198	0
Total Special Education Cluster (IDEA)		<u>343,446</u>	<u>0</u>	<u>377,176</u>	<u>0</u>
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) - 2011	84.010	26,047	0	67,154	0
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) - 2012	84.010	300,692	0	299,473	0
ARRA Title I Grants to Local Educational Agencies - 2011	84.389	(7,045)	0	15,793	0
Total Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)		<u>319,694</u>	<u>0</u>	<u>382,420</u>	<u>0</u>
ARRA - Race to the Top - 2011	84.395	4,242	0	123	0
ARRA - Race to the Top - 2012	84.395	46,464	0	50,927	0
Total ARRA - Race to the Top		<u>50,706</u>	<u>0</u>	<u>51,050</u>	<u>0</u>
Education Jobs Fund - 2011	84.410	(41,278)	0	0	0
Education Jobs Fund - 2012	84.410	272,368	0	271,506	0
Total Education Jobs Fund		<u>231,090</u>	<u>0</u>	<u>271,506</u>	<u>0</u>
Educational Technology State Grants (Title II-D) - 2011	84.318	241	0	269	0
Educational Technology State Grants (Title II-D) - 2012	84.318	0	0	3,559	0
Total Educational Technology State Grants (Title II-D)		<u>241</u>	<u>0</u>	<u>3,828</u>	<u>0</u>
Improving Teacher Quality State Grants - 2011	84.367	3,878	0	2,984	0
Improving Teacher Quality State Grants - 2012	84.367	78,533	0	80,425	0
Total Improving Teacher Quality State Grants		<u>82,411</u>	<u>0</u>	<u>83,409</u>	<u>0</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act - 2010	84.394	0	0	2,047	0
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act - 2011	84.394	12,462	0	128,761	0
Total ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act		<u>12,462</u>	<u>0</u>	<u>130,808</u>	<u>0</u>
Total U.S. Department of Education		<u>1,040,050</u>	<u>0</u>	<u>1,300,197</u>	<u>0</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>					
Medical Assistance Program	93.778	29,164	0	28,889	0
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	9,283	0	8	0
Total U.S. Department of Health and Human Services		<u>38,447</u>	<u>0</u>	<u>28,897</u>	<u>0</u>
Total Federal Financial Assistance		<u>\$1,826,300</u>	<u>\$42,696</u>	<u>\$2,076,897</u>	<u>\$42,696</u>

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

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

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 programs that benefitted from the use of those donated food commodities.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2011 to 2012 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2011 to 2012</u>
Education Jobs Fund	84.410	\$ 41,278

NOTE E – REFUND TO OHIO DEPARTMENT OF EDUCATION

Federal regulations require schools to obligate certain federal awards by June 30. At the discretion of ODE, schools may be required to return unused federal awards. The District refunded the following amounts from 2011 programs to ODE:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Refunded</u>
ARRA Title I Grants to Local Educational Agencies	84.389	\$ 7,045

NOTE F – PRIOR YEAR PROGRAM EXPENDITURE ADJUSTMENTS

During fiscal year 2012, the District retroactively applied \$63,397 in expenditures to the State Fiscal Stabilization Fund (SFSF) and \$14,835 in expenditures to the Title I Fund from funds that were originally charged to the General Fund. This adjustment is presented in total on the fiscal year 2012 Schedule, however, only \$30,987 of this amount relates to fiscal year 2012 expenditures. Thus, \$47,245 in federal expenditures presented on the fiscal year 2012 Schedule are fiscal year 2011 expenditures that were not presented on the fiscal year 2011 Schedule.



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, Ohio (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 22, 2013. 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 did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 22, 2013.

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

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Dave Yost
Auditor of State

January 22, 2013



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

Our compliance audit followed 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*. These 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 these 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 these requirements.

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

Internal Control Over Compliance

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

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

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

We intend this report solely for the information and use of the 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.

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

Dave Yost
Auditor of State

January 22, 2013

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	ARRA State Fiscal Stabilization Fund – CFDA #84.394 <u>Title I Cluster:</u> ARRA and non-ARRA Title I Grants to Local Educational Agencies – CFDA #84.389 and 84.010 <u>Child Nutrition Cluster:</u> National School Lunch Program – CFDA #10.555; National School Breakfast Program – CFDA #10.553
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Cash Management – Noncompliance and Material Weakness; The District did not spend its State Fiscal Stabilization Fund monies timely in accordance with federal guidelines.	No	Re-issued as a Management Letter comment. Amounts during the audit period were immaterial and the grant expired at the end of fiscal year 2011.
2011-02	Eligibility – Noncompliance and Material Weakness; The District could not locate various student applications for free and reduced meals.	Yes	Corrected

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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 12, 2013**