

CLEARVIEW LOCAL SCHOOL DISTRICT  
BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2006





Mary Taylor, CPA  
Auditor of State

Board of Education  
Clearview Local School District  
4700 Broadway Ave.  
Lorain, OH 44052

We have reviewed the *Independent Auditor's Report* of the Clearview Local School District, Lorain County, prepared by Costin & Company, for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

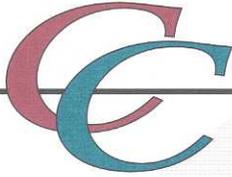
April 16, 2007

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## TABLE OF CONTENTS

Independent Auditor's Report	1
Management's discussion and analysis	3
Basic financial statements	
Government-wide financial statements	
Statement of net assets	12
Statement of activities	13
Fund financial statements	
Balance sheet - governmental funds	14
Reconciliation of total governmental fund balances to net assets of governmental activities	15
Statement of revenues, expenditures and changes in fund balances - governmental funds	16
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	17
Statement of revenues, expenditures and changes in fund balances budget basis (non-GAAP) and actual - General Fund	18
Statement of fund net assets - Internal Service Fund	19
Statement of revenues, expenses and changes in fund net assets - Internal Service Fund	20
Statement of cash flows - Internal Service Fund	21
Statement of fiduciary assets and liabilities - Agency Fund	22
Notes to the basic financial statements	23
Supplemental Auditor's Reports	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards	48
Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133	51
Schedule of findings and questioned costs OMB Circular A-133 §.505	54
Schedule of Federal awards	58

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**COSTIN + COMPANY**

Certified Public Accountants

35945 Center Ridge Road

North Ridgeville, OH 44039

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Clearview Local School District

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 (District), as of and for the year ended June 30, 2006, 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 Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective 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 February 16, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

February 16, 2007

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CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

*Unaudited*

The management discussion and analysis of Clearview Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this management discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key Financial Highlights for 2006 are as follows:

In total, net assets decreased by \$ 614,771.

Revenues for governmental activities totaled \$ 13,808,005 in 2006. Of this total, 70.2 percent consisted of General revenues while Program revenues accounted for the remaining balance of 29.8 percent.

Program expenses totaled \$ 14,422,776. Instructional expenses made up 54.9 percent of this total while support services accounted for 33.2 percent. Other expenses rounded out the remaining 11.9 percent.

### **Using this Financial Report**

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

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

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

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

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2006?" 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 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, 2006

*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 and maintenance, pupil transportation, food service operation and extracurricular activities.

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

Fund Financial Statements

The analysis of the School District's major funds begins on page 14. 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, 2006

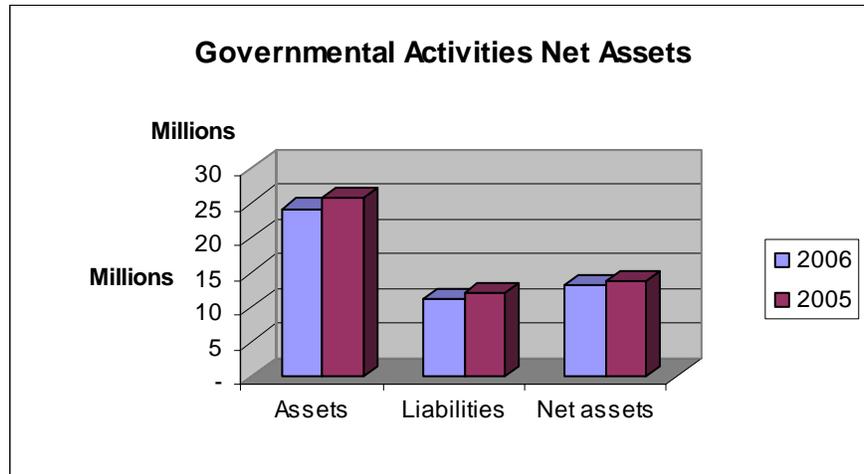
*Unaudited*

**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 2006 compared to 2005:

**Table 1**  
Total Net Assets

	2006	2005
<b>Assets</b>		
Current and other assets	\$ 2,936,902	\$ 3,821,463
Total capital assets, net	21,203,582	21,829,688
<b>Total assets</b>	<b>24,140,484</b>	<b>25,651,151</b>
<b>Liabilities</b>		
Current liabilities	4,844,303	5,476,095
Long term liabilities		
Due within one year	309,642	330,476
Due in more than one year	5,931,916	6,175,186
<b>Total liabilities</b>	<b>11,085,861</b>	<b>11,981,757</b>
<b>Net assets</b>		
Invested in capital assets, net of related debt	15,942,440	16,338,165
Restricted	599,860	502,959
Unrestricted (deficit)	(3,487,677)	(3,171,730)
<b>Total net assets</b>	<b>\$ 13,054,623</b>	<b>\$ 13,669,394</b>



CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

*Unaudited*

**Governmental Activities**

Total assets decreased by \$ 1,510,667. This is the result primarily of a net decrease of \$ 808,171 in equity in pooled cash and a decrease of \$ 626,106 in capital assets. The decrease in pooled cash is primarily due to payment of accounts and contracts payable and payment of bond principal and interest. The decrease in capital assets is primarily the result of depreciation expense.

Total liabilities decreased by \$ 895,896. The majority of the decrease can be attributed primarily to decreases in accounts and contracts payable of \$ 347,726 and due to others of \$ 307,764. Long term liabilities decreased by \$ 264,104. The remainder of the net increase is attributed to claims payable, accrued salaries, wages and benefits, accrued interest payable, due to other governments and unearned revenue which accounts for an net decrease of \$ 21,025.

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 \$ 614,771.

The vast majority of revenue supporting all Governmental Activities is General revenue. General revenues totaled \$ 9,696,582 or 70.3 percent of the total revenues. The most significant portion of the General revenues is from grant entitlements. The remaining amount of revenue was in the form of program revenues which equated to \$ 4,111,423 or only 29.7 percent of total revenue.

Table 2 summarizes the revenues, expenses and the changes in net assets for fiscal year 2006 compared to 2005.

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

*Unaudited*

**Table 2**  
Governmental Activities

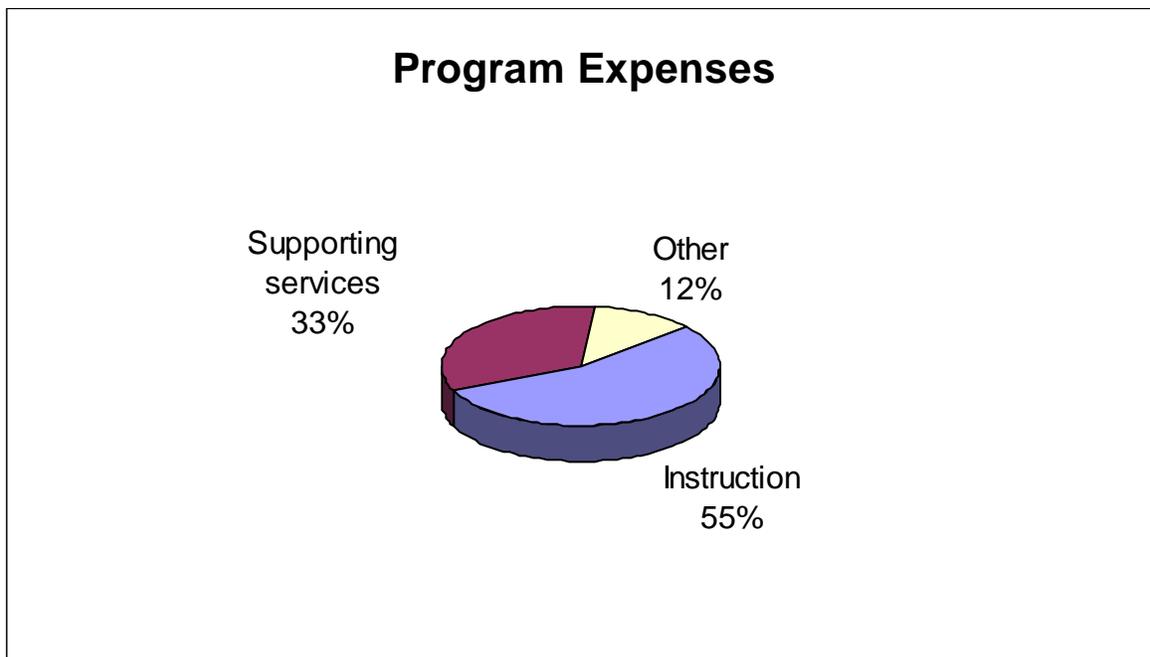
Revenues	2006	2005
Program revenues		
Charges for services	\$ 2,221,789	\$ 2,036,608
Operating grants and contributions	1,889,634	1,485,945
Capital grants and contributions	-	82,732
Total program revenues	4,111,423	3,605,285
General revenues		
Property taxes	2,780,550	2,975,833
Grants and entitlements not restricted to specific purposes	6,849,976	7,595,284
Investment earnings	28,218	4,508
Miscellaneous	37,838	11,771
Total general revenues	9,696,582	10,587,396
Total revenues	13,808,005	14,192,681
Program expenses		
Instruction	7,921,930	8,325,619
Supporting services		
Pupil and instructional staff	1,369,572	1,357,360
Board of education, administration, fiscal and business	1,617,382	1,801,818
Operation and maintenance	1,309,355	2,162,797
Pupil transportation	443,616	462,167
Central services	48,892	32,371
Operation of non-instructional		
Food service operation	751,618	650,869
Community services	280,547	362,702
Enterprise operations	26,922	25,463
Extracurricular activities	350,506	384,640
Interest	302,436	336,059
Total expenses	14,422,776	15,901,865
Change in net assets	(614,771)	(1,709,184)
Net assets at beginning of year	13,669,394	15,378,578
Net assets, end of year	\$ 13,054,623	\$ 13,669,394

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

*Unaudited*

The School District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In June of 2006, the School District completed its five-year forecast. Based upon the current five-year financial forecast, the School District does not have adequate operating funds. Although the School District relies heavily upon State funding and open enrollments to support its operations, the School District does actively solicit additional local tax increases.

Approximately 55 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 33 percent. The remaining program expenses of 12 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, 2006

*Unaudited*

**Table 3**  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction	\$ 7,921,930	\$ 8,325,619	\$ (5,000,151)	\$ (5,804,270)
Supporting services				
Pupil and instructional staff	1,369,572	1,357,360	(1,170,249)	(1,186,314)
Board of education, administration, fiscal and business	1,617,382	1,801,818	(1,608,943)	(1,800,838)
Operation and maintenance	1,309,355	2,162,797	(1,309,355)	(2,162,797)
Pupil transportation	443,616	462,167	(442,666)	(462,167)
Central services	48,892	32,371	(43,892)	(27,371)
Operation of non-instructional				
Food service operation	751,618	650,869	(30,883)	29,025
Community services	280,547	362,702	(110,360)	(225,398)
Enterprise operations	26,922	25,463	(722)	(218)
Extracurricular activities	350,506	384,640	(291,696)	(320,173)
Interest	302,436	336,059	(302,436)	(336,059)
Total expenses	<u>\$ 14,422,776</u>	<u>\$ 15,901,865</u>	<u>\$(10,311,353)</u>	<u>\$(12,296,580)</u>

Program revenues fund 29 percent of all governmental expenses. Grants and entitlements not restricted to specific programs support 48 percent. Approximately 19 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**

Information regarding the School District's major funds can be found on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 13,902,218 and expenditures of \$ 14,551,363. The net changes in fund balances for the year were as follows: General Fund (\$ 526,518), Debt Service Fund \$ 43,325 and Other Governmental Funds (\$ 112,844)

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

*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 2006, 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 expenses but provide flexibility for managers to redirect funds as conditions develop during the year.

Overall revenue received by the General Fund was more than original budgetary projections by \$ 1,427,570 or 13%. The increase was due primarily to open enrollments and advances from other funds. Actual expenditures for the year were \$ 1,790,690 or 15% over original General Fund budget projections. The increase was due to higher than anticipated open enrollments that were not projected until actual numbers were certified.

**Capital Assets and Debt Administration**

Capital Assets

All capital assets, except land, are reported net of depreciation. At the end of fiscal 2006, the School District had \$ 21,203,582 invested in land, buildings, equipment and vehicles. Table 4 shows fiscal 2006 values compared to 2005.

	2006	2005
Land	\$ 47,080	\$ 47,080
Building and improvements	20,592,350	21,146,180
Furniture and equipment	364,058	394,749
Vehicles	200,094	241,679
	\$ 21,203,582	\$ 21,829,688

During fiscal 2006, the capital assets had a net decrease of \$ 626,106, primarily due to depreciation expense.

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

*Unaudited*

**Debt**

At June 30, 2006 the School District had \$ 5,185,000 in outstanding bonds. Proceeds from the bonds were used to renovate the District Buildings. The bonds are to be repaid in annual principal payments of interest and principal through 2024.

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

**School District Outlook**

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

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

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

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

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

As a result of the challenges mentioned above, the School District's administration continues to carefully and prudently plans 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

CLEARVIEW LOCAL SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2006

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash	\$ 3,000
Due from other governments	87,935
Taxes receivable	2,845,967
Capital assets	
Nondepreciable capital assets	47,080
Depreciable capital assets	<u>21,156,502</u>
Total assets	<u>24,140,484</u>
Liabilities	
Accounts and contracts payable	151,416
Claims payable	298,060
Retainage payable	36,876
Accrued salaries, wages and benefits	1,427,789
Accrued interest payable	23,670
Due to other governments	597,597
Due to others	185,767
Due to agency fund	9,438
Unearned revenue	2,113,690
Long term liabilities	
Due within one year	309,642
Due in more than one year	<u>5,931,916</u>
Total liabilities	<u>11,085,861</u>
Net assets	
Invested in capital assets, net of related debt	15,942,440
Restricted for:	
Debt service	284,938
Capital projects	150,619
School supplies	70,166
Extracurricular	3,138
State grants	4,072
Federal grants	4,040
Donations	3,984
Other purposes	78,903
Unrestricted (deficit)	<u>(3,487,677)</u>
Total net assets	<u>\$ 13,054,623</u>

The accompanying notes are an integral part of these financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction					
Regular	\$ 6,487,144	\$ 1,862,899	\$ 526,036	\$ -	\$ (4,098,209)
Special	1,220,280	-	532,844	-	(687,436)
Vocational	214,506	-	-	-	(214,506)
Adult/continuing	-	-	-	-	-
Other instruction	-	-	-	-	-
Supporting services					
Pupil	710,841	63,266	7,504	-	(640,071)
Instructional staff	658,731	-	128,553	-	(530,178)
Board of education	48,074	-	-	-	(48,074)
Administration	1,032,784	-	8,439	-	(1,024,345)
Fiscal services	371,931	-	-	-	(371,931)
Business	164,593	-	-	-	(164,593)
Operation and maintenance	1,309,355	-	-	-	(1,309,355)
Pupil transportation	443,616	-	950	-	(442,666)
Central services	48,892	-	5,000	-	(43,892)
Operation of non-instructional					
Food service operation	751,618	180,170	540,565	-	(30,883)
Community services	280,547	30,444	139,743	-	(110,360)
Enterprise operations	26,922	26,200	-	-	(722)
Extracurricular activities	350,506	58,810	-	-	(291,696)
Interest	302,436	-	-	-	(302,436)
Totals	<u>\$ 14,422,776</u>	<u>\$ 2,221,789</u>	<u>\$ 1,889,634</u>	<u>\$ -</u>	<u>(10,311,353)</u>

General revenues	
Property taxes levied for:	
General purpose	2,314,610
Debt service	403,653
Capital improvements	62,287
Grants and entitlements not restricted to specific purposes	6,849,976
Investment earnings	28,218
Miscellaneous	37,838
Total general revenues	<u>9,696,582</u>
Change in net assets	(614,771)
Net assets at beginning of year, restated	13,669,394
Net assets at end of year	<u>\$ 13,054,623</u>

The accompanying notes are an integral part of these financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT

BALANCE SHEET -  
GOVERNMENTAL FUNDS

JUNE 30, 2006

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in pooled cash	\$ 1,500	\$ -	\$ 1,500	\$ 3,000
Receivables, net of allowance				
Taxes, current	2,221,975	399,820	41,272	2,663,067
Taxes, delinquent	148,000	27,600	7,300	182,900
Due from other governments	2,863	-	85,072	87,935
Interfund receivable	9,153	169,443	462,436	641,032
<b>Total assets and other debits</b>	<b>\$ 2,383,491</b>	<b>\$ 596,863</b>	<b>\$ 597,580</b>	<b>\$ 3,577,934</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 93,737	\$ -	\$ 57,679	\$ 151,416
Retainage payable	-	-	36,876	36,876
Accrued salaries, wages and benefits	1,260,809	-	166,980	1,427,789
Due to other governments	546,223	-	24,381	570,604
Interfund payable	579,441	-	308,279	887,720
Unearned revenue	1,917,121	339,525	39,944	2,296,590
Accrued leave benefits	130,082	-	2,863	132,945
<b>Total liabilities</b>	<b>4,527,413</b>	<b>339,525</b>	<b>637,002</b>	<b>5,503,940</b>
<b>Fund balances</b>				
Reserved for property taxes	452,854	87,895	8,628	549,377
Reserved for encumbrances	-	-	82,665	82,665
Unreserved, reported in				
General Fund	(2,596,776)	-	-	(2,596,776)
Special Revenue Funds	-	-	(275,231)	(275,231)
Debt Service Fund	-	169,443	-	169,443
Capital Projects Funds	-	-	144,516	144,516
<b>Total fund balances</b>	<b>(2,143,922)</b>	<b>257,338</b>	<b>(39,422)</b>	<b>(1,926,006)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,383,491</b>	<b>\$ 596,863</b>	<b>\$ 597,580</b>	<b>\$ 3,577,934</b>

The accompanying notes are an integral part of these financial statements.

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

JUNE 30, 2006

Total governmental funds balances	\$ (1,926,006)
Amount 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.	21,203,582
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.	182,900
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	(246,577)
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(26,993)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(847,471)
Accrued interest	(23,670)
Bonds payable	(5,185,000)
Capital leases payable	(76,142)
	<hr/>
Net assets of governmental activities	<u>\$ 13,054,623</u>

The accompanying notes are an integral part of these financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,318,710	\$ 405,053	\$ 62,387	\$ 2,786,150
Tuition and fees	1,862,899	-	46,180	1,909,079
Interest	16,202	3,048	7,693	26,943
Intergovernmental	7,179,119	40,128	1,629,497	8,848,744
Extracurricular	-	-	104,177	104,177
Charges for services	-	-	177,454	177,454
Other	7,080	-	42,591	49,671
<b>Total revenues</b>	<b>11,384,010</b>	<b>448,229</b>	<b>2,069,979</b>	<b>13,902,218</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular	6,279,507	-	141,395	6,420,902
Special	639,268	-	519,980	1,159,248
Vocational	209,252	-	1,680	210,932
<b>Supporting services</b>				
Pupil	663,657	-	56,206	719,863
Instructional staff	491,039	-	144,507	635,546
Board of education	47,560	-	-	47,560
Administration	981,262	-	9,132	990,394
Fiscal services	289,399	6,690	77,525	373,614
Business	163,073	-	-	163,073
Operation and maintenance	1,347,971	-	11,101	1,359,072
Pupil transportation	349,889	-	950	350,839
Central services	41,617	-	5,000	46,617
<b>Operation of non-instructional</b>				
Food service operation	-	-	801,960	801,960
Community services	6,586	-	286,192	292,778
Enterprise operations	-	-	26,922	26,922
Extracurricular activities	264,461	-	63,397	327,858
Capital outlay	-	-	36,876	36,876
<b>Debt service</b>				
Principal	115,381	115,000	-	230,381
Interest	20,852	336,076	-	356,928
<b>Total expenditures</b>	<b>11,910,774</b>	<b>457,766</b>	<b>2,182,823</b>	<b>14,551,363</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(526,764)</b>	<b>(9,537)</b>	<b>(112,844)</b>	<b>(649,145)</b>
<b>Other financing sources (uses)</b>				
Transfers-in	-	-	500	500
Proceeds from debt refunding	-	1,994,775	-	1,994,775
Gain on asset disposal	246	-	-	246
Payments to escrow agent	-	(1,941,913)	-	(1,941,913)
Transfers-out	-	-	(500)	(500)
<b>Total other financing sources (uses)</b>	<b>246</b>	<b>52,862</b>	<b>-</b>	<b>53,108</b>
<b>Net change in fund balances</b>	<b>(526,518)</b>	<b>43,325</b>	<b>(112,844)</b>	<b>(596,037)</b>
<b>Fund balances, beginning of year</b>	<b>(1,617,404)</b>	<b>214,013</b>	<b>73,422</b>	<b>(1,329,969)</b>
<b>Fund balances, end of year</b>	<b>\$ (2,143,922)</b>	<b>\$ 257,338</b>	<b>\$ (39,422)</b>	<b>\$ (1,926,006)</b>

The accompanying notes are an integral part of these 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, 2006

Net change in fund balances - total governmental funds		\$	(596,037)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays 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 capital outlays exceeded depreciation in the current period.			
	Capital outlay, net	67,451	
	Depreciation expense	<u>(693,557)</u>	
	Total		(626,106)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
	Property taxes		(5,600)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets			
			230,381
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due			
			1,643
Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
	Compensated absences	66,571	
	Pension obligations	<u>3,644</u>	
			70,215
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.			
			<u>310,733</u>
Change in net assets of governmental activities		\$	<u><u>(614,771)</u></u>

The accompanying notes are an integral part of these 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, 2006

	General			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 1,971,754	\$ 2,285,491	\$ 2,268,228	\$ (17,263)
Tuition and fees	1,621,546	1,879,558	1,862,899	(16,659)
Interest	14,103	16,347	16,202	(145)
Intergovernmental	6,289,529	7,290,289	7,176,256	(114,033)
Other	6,163	7,143	7,080	(63)
Total revenues	<u>9,903,095</u>	<u>11,478,828</u>	<u>11,330,665</u>	<u>(148,163)</u>
Expenditures				
Current				
Instruction				
Regular	5,333,526	6,402,224	6,298,444	103,780
Special	539,974	648,171	636,076	12,095
Vocational	184,929	221,984	217,842	4,142
Supporting services				
Pupil	573,756	688,722	675,870	12,852
Instructional staff	397,332	476,947	469,439	7,508
Board of education	40,138	48,180	47,281	899
Administration	808,043	969,953	951,854	18,099
Fiscal services	229,643	275,657	270,620	5,037
Business	247,701	297,333	291,785	5,548
Operation and maintenance	1,062,619	1,275,540	1,251,738	23,802
Pupil transportation	294,900	353,990	347,385	6,605
Central services	30,217	36,272	35,595	677
Extracurricular activities	222,162	266,677	261,701	4,976
Total expenditures	<u>9,964,940</u>	<u>11,961,651</u>	<u>11,755,630</u>	<u>206,021</u>
Excess (deficiency) of revenues over expenditures	<u>(61,845)</u>	<u>(482,823)</u>	<u>(424,965)</u>	<u>57,858</u>
Other financing sources (uses)				
Transfers-in	-	53,507	-	(53,507)
Advances-in	-	436,000	401,639	(34,361)
Note proceeds	-	400,000	400,000	-
Gain (loss) on asset disposal	-	500	246	(254)
Transfers-out	-	(480,279)	(413,572)	66,707
Total other financing sources (uses)	<u>-</u>	<u>409,728</u>	<u>388,313</u>	<u>(21,415)</u>
Net change in fund balances	(61,845)	(73,095)	(36,652)	36,443
Fund balances, beginning of year	24,261	24,261	24,261	-
Prior year encumbrances	13,195	13,195	13,195	-
Fund balances, end of year	<u>\$ (24,389)</u>	<u>\$ (35,639)</u>	<u>\$ 804</u>	<u>\$ 36,443</u>

The accompanying notes are an integral part of these financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS -  
INTERNAL SERVICE FUND

JUNE 30, 2006

	<u>Self Insurance</u>
Assets	
Due from other funds	<u>\$ 237,250</u>
Liabilities	
Claims payable	298,060
Due to others	185,767
Total liabilities	<u>483,827</u>
Net assets	
Unrestricted	<u>\$ (246,577)</u>

The accompanying notes are an integral part of these financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	Self Insurance
Operating revenues	
Charges for services	\$ 1,907,448
Operating expenses	
Purchased services	87,284
Claims	1,510,706
Total operating expenses	1,597,990
Operating income	309,458
Nonoperating revenues	
Interest income	1,275
Change in net assets	310,733
Net assets, beginning of year	(557,310)
Net assets, end of year	\$ (246,577)

The accompanying notes are an integral part of these financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS-  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	Self Insurance
Cash flows from operating activities	
Cash received from interfund services	\$ 1,874,650
Cash payments for goods and services	(87,284)
Cash payments for claims	(1,788,641)
Net cash used for operating activities	(1,275)
 Cash flows from investing activities	
Interest income	1,275
Net cash provided by investing activities	1,275
 Net increase (decrease) in cash and cash equivalents	-
 Cash and cash equivalents, beginning of year	-
 Cash and cash equivalents, end of year	\$ -
 Reconciliation of operating loss to net cash used for operating activities:	
Operating income	\$ 309,458
Adjustments	
Increase in due from other funds	(32,798)
Increase in claims payable	28,804
Decrease in due to others	(306,739)
Total adjustments	(310,733)
 Net cash used for operating activities	\$ (1,275)

The accompanying notes are an integral part of these financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY FUNDS -  
ASSETS AND LIABILITIES – AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	Agency Funds
<b>Assets</b>	
Equity in pooled cash	\$ 30,931
Due from others	9,438
<b>Total assets</b>	<b>\$ 40,369</b>
 <b>Liabilities</b>	
Accounts payable	\$ 2,208
Due to students	25,541
Due to others	12,620
<b>Total liabilities</b>	<b>\$ 40,369</b>

The accompanying notes are an integral part of these financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND 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 city school district as defined by Section 3311.02 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, 2005 was 1,513. The District employs 111 certificated and 72 non-certificated employees.

REPORTING ENTITY

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of 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 also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989, to its governmental activities and proprietary fund. The following are the more significant of the District's accounting policies.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION

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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

B. FUND ACCOUNTING

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

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:

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.

Proprietary Fund

The proprietary fund focuses on the determination of the changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District's self insurance fund is classified as an internal service fund. The District has no enterprise funds.

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.

C. 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 statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS (continued)

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

D. 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. Proprietary and the fiduciary fund 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.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Deferred Revenue

Deferred 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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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.

E. 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 statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect 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.

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. 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 (STAROhio) 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, 2006 totaled \$ 28,218.

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

The District has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during the year. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2006. Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

G. 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.

H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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:

Asset	Estimated Useful Life
Buildings and improvements	40 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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.

J. 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.

K. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables and accrued liabilities from the proprietary fund are reported on the proprietary fund statement.

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.

L. NET ASSETS

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. FUND BALANCE RESERVES AND DESIGNATIONS

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

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

N. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of this fund. Revenues and expenses not meeting those definitions are reported as non-operating.

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.

NOTE 3 – NONCOMPLIANCE

At June 30, 2006, the District was in violation of Ohio Revised Code § 5705.10, which resulted in negative fund cash balance of \$35,151 in the Food Service Fund and \$ 249,185 in the Latchkey Fund.

During the year ended June 30, 2006, the Debt Service Fund advanced \$ 168,000 to the General Fund. Though no statutory provisions directly address interfund advances, requirements are in part derived from Ohio Revised Code Sections: 5705.10, 5705.14, 5705.15, 5705.39, 5705.41 and 5705.36. In summary, in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 4 – DEFICIT FUND EQUITY

Not apparent in the financial statements at June 30, 2006, are the following deficit fund balances.

Non-major Funds	
Title I	\$ (17,926)
Food Service	(76,976)
Uniform School Supplies	(426)
Latchkey	(272,468)
Improving Teacher Quality	(1,398)
	\$ (369,194)

The deficit fund balances resulted from adjustments for accrued liabilities. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis statements are the following:

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

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

Net Change in Fund Balance	
	General Fund
Budget basis	\$ (36,652)
Adjustments, increase (decrease)	
Revenue accruals	(748,294)
Expenditure accruals	258,428
GAAP basis, as reported	\$ (526,518)

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 6 - 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 (STAROhio);

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2006

NOTE 6 - DEPOSITS AND INVESTMENTS(continued)

A. LEGAL REQUIREMENTS (continued)

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.

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 \$ 3,000 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 \$ 26,677 and the bank balance was \$ 151,521. Of the bank balance, \$ 151,521 was covered by federal depository insurance.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2006, the District had the following investments:

	Maturities	Fair Value
Investment in STAROhio	n/a	\$ 4,254

D. INTEREST RATE RISK

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

E. CREDIT RISK

The District follows the Ohio Revised Code that limits its investment choices. As of June 30, 2006, the District's investments in Money Market Funds and StarOhio were rated AAA by Standard & Poor's.

F. CONCENTRATION OF CREDIT RISK

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes for 2006 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 real and tangible personal property taxes for 2006 were levied after April 1, 2006, on the assessed values as of December 31, 2005, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes for 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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, 2006, are available to finance fiscal year 2005/2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2006 operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2006 was \$ 549,377 and is recognized as revenue.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	Amount	%	Amount	%
Agricultural Residential				
Real Estate	\$ 56,570,350	60.91 %	\$ 57,161,990	62.34 %
Other Commercial	24,913,750	26.82	25,349,420	27.65
Public Utility	319,640	0.34	97,140	0.11
Tangible Personal Property	11,080,598	11.93	9,081,440	9.90
	\$ 92,884,338	100.00 %	\$ 91,689,990	100.00 %
 Tax Rate per \$ 1,000 of Assessed Valuation:	 47.85		 46.34	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2006, consisted of property taxes and amounts due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Major Fund	Amount
General Fund	\$ 2,863
 Non-major Funds	
Food Service	70,653
Title VI-B	6,622
Improving Teacher Quality	7,797
	85,072
Total due from other governments	\$ 87,935

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

Governmental Activities	Balance June 30, 2005	Additions	Disposals	Balance June 30, 2006
<b>Nondepreciable capital assets</b>				
Land	\$ 47,080	\$ -	\$ -	\$ 47,080
Total nondepreciable capital assets	<u>47,080</u>	<u>-</u>	<u>-</u>	<u>47,080</u>
<b>Depreciable capital assets</b>				
Buildings and improvements	22,121,276	-	-	22,121,276
Furniture and equipment	625,470	67,451	-	692,921
Vehicles	487,969	-	(69,095)	418,874
Total capital assets being depreciated	<u>23,234,715</u>	<u>67,451</u>	<u>(69,095)</u>	<u>23,233,071</u>
<b>Less accumulated depreciation</b>				
Buildings and improvements	975,096	553,830	-	1,528,926
Furniture and equipment	230,721	98,142	-	328,863
Vehicles	246,290	41,585	(69,095)	218,780
Total accumulated depreciation	<u>1,452,107</u>	<u>693,557</u>	<u>(69,095)</u>	<u>2,076,569</u>
Depreciable capital assets, net of accumulated depreciation	<u>21,782,608</u>	<u>(626,106)</u>	<u>-</u>	<u>21,156,502</u>
Governmental activities capital assets, net	<u>\$ 21,829,688</u>	<u>\$ (626,106)</u>	<u>\$ -</u>	<u>\$ 21,203,582</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 295,975
Special	68,019
Vocational	6,911
Supporting services	
Pupil	20,922
Instructional staff	51,969
Board of education	514
Administration	43,458
Fiscal	46,547
Business	1,520
Operation and maintenance of plant	48,486
Pupil transportation	65,054
Central services	2,275
Operation of non-instructional services	
Food service	17,075
Community services	2,184
Extracurricular activities	22,648
Total depreciation expense	<u>\$ 693,557</u>

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2006

NOTE 10 - INTERFUND ACTIVITY

On the fund financial statements at June 30, 2006, interfund balances consisted of the following:

Due To:	Due from:	General Fund	Nonmajor Governmental Funds	Total
General Fund		\$ -	\$ 9,153	\$ 9,153
Debt Service Fund		168,000	1,443	169,443
Nonmajor Governmental Funds		207,399	255,037	462,436
Internal Service Fund		204,042	33,208	237,250
Agency Fund		-	9,438	9,438
		\$ 579,441	\$ 308,279	\$ 887,720

These amounts are represented as "Interfund Receivable/Payable" on the balance sheet. The loans were made to support programs and projects in the Special Revenue and Capital Projects Funds.

During the year ended June 30, 2006, transfers were made to provide for the payment of expenditures, and consisted of:

	Transfers In	Transfers Out
Non-major Funds:		
Principal's Fund	\$ -	\$ 500
Athletics Fund	500	-
	\$ 500	\$ 500

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with the Ohio Schools Risk Authority. The deductible is \$ 1,000 per incident. All vehicles are insured with the Ohio Schools Risk Authority and have a \$ 1,000 deductible. All board members, administrators, and employees are covered under a school district liability policy with the Ohio Schools Risk Authority. The limits of this coverage are \$ 2,000,000 per occurrence and \$ 4,000,000 aggregate.

The 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. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no reduction in coverage from the prior year.

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 11 - RISK MANAGEMENT (continued)

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits since December 1988. The LERC is a claims-servicing pool comprised of approximately fifteen Lorain County school districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow or individual account balance. Upon termination, the terminating School District would be liable for all outstanding claims beyond their individual balance. The LERC Board of Directors has the right to return monies to an existing district subsequent to the settlement of all expenses and claims. This plan provides a medical/surgical plan with deductibles of \$ 150 for single and \$ 300 for family coverage.

The LERC's pool premiums are billed to each participating school district based on actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program in any given year, each participating member is notified of their deficiency and their premium is adjusted to cover its share of the additional cost of anticipated future claims.

The claim liability of \$ 298,060 reported at June 30, 2006 was estimated by LERC and is based on the requirements of Governmental Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the balance of claims liability during the year ended June 30, 2006 are summarized below. Incurred claims and claims payments are not segregated between current and prior years claims due to the impracticability of obtaining such information. At June 30, 2006 net assets of the Self Insurance Internal Service fund amounted to (\$ 246,577).

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Unpaid claims, beginning of year	\$ 269,256	\$ 307,834
Incurred claims	1,510,706	1,603,879
Claims payments	<u>(1,481,902)</u>	<u>(1,642,457)</u>
Unpaid claims, end of year	<u>\$ 298,060</u>	<u>\$ 269,256</u>

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at [ohsers.org](http://ohsers.org).

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2006, 2005, and 2004 were \$ 267,500, \$ 267,500, and \$ 260,500, respectively. The full amount has been contributed for 2005 and 2004. For 2006, \$ 110,700 (41%) has been contributed. \$ 156,800 represents the unpaid contribution for fiscal year 2006.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS Ohio)

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS Ohio) (continued)

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$ 883,900, \$ 883,900, and \$ 832,200, respectively. For 2006, \$ 728,000 (82%) has been contributed. The full amount has been contributed for 2005 and 2004. \$ 155,900 represents the unpaid contribution for fiscal year 2006.

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, 2006, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$63,100 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, (the most recent information available) employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$ 27,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$ 92,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 were \$ 178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$ 267.5 million, which is about 168% of next years' projected net health care costs of \$ 158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provided for a health care reserve equal to at least 150% of estimated annual net claim costs. At June 30, 2005, the number of participants eligible to receive benefits was 58,123.

NOTE 14 – NOTE PAYABLE

Note payable consisted of:

	Outstanding June 30, 2005	Additions	Deductions	Outstanding June 30, 2006
Tax anticipation notes, 3.5%				
Issued 7/1/05, Maturity 6/15/06	\$ -	\$ 400,000	\$ 400,000	\$ -
	\$ -	\$ 400,000	\$ 400,000	\$ -

The note was issued for the purpose of paying current expenses of the District.

NOTE 15 – BONDS PAYABLE

Bonds payable at year end consisted of:

	Outstanding June 30, 2005	Additions	Deductions	Outstanding June 30, 2006
General obligation bonds				
School Improvement, (1999)				
6.125% through 2024	\$ 3,145,000	\$ -	\$ 1,825,000	\$ 1,320,000
Building construction, (2001)				
5.280% through 2023	2,155,000	-	70,000	2,085,000
Refunding bonds, (2006)				
4.000% through 2024	-	1,780,000	-	1,780,000
	\$ 5,300,000	\$ 1,780,000	\$ 1,895,000	\$ 5,185,000

The original amount of bonds issued in 1999 and 2001 were \$ 3,260,000 and \$ 2,410,000, respectively.

During 2006, the District advance refunded a portion of the 1999 general obligation bonds. The District issued \$ 1,780,000 of School Improvement Refunding Bonds to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The advance refunding was undertaken to reduce total debt service payments over the next 14 years by \$173,993 and to obtain an economic gain of \$ 129,914.

At June 30, 2006, outstanding general obligation bonds of \$1,780,000 are considered to be defeased.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2006 were as follows:

	Balance June 30, 2005	Increase	Decrease	Balance June 30, 2006	Amounts Due In One Year
Bonds payable	\$ 5,300,000	\$ 1,780,000	\$ 1,895,000	\$ 5,185,000	\$ 125,000
Capital leases	191,523	-	115,381	76,142	51,697
Compensated absences	1,014,139	99,222	132,945	980,416	132,945
	<u>\$ 6,505,662</u>	<u>\$ 1,879,222</u>	<u>\$ 2,143,326</u>	<u>\$ 6,241,558</u>	<u>\$ 309,642</u>

Principal and interest requirements to retire bonds payable outstanding at June 30, 2006, were as follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 125,000	\$ 281,039	\$ 406,039
2008	135,000	275,050	410,050
2009	145,000	268,461	413,461
2010	155,000	261,222	416,222
2011	175,000	253,028	428,028
2012 - 2016	1,125,000	1,117,778	2,242,778
2017 - 2021	1,690,000	725,431	2,415,431
2022- 2025	1,635,000	183,381	1,818,381
	<u>\$ 5,185,000</u>	<u>\$ 3,365,390</u>	<u>\$ 8,550,390</u>

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

NOTE 17 - CAPITAL LEASE

The District has entered into lease agreements for financing certain copier equipment, school busses and fitness equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of June 30, 2006.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, are as follows:

	Year ending June 30,	Amount
	2007	\$ 54,921
	2008	25,608
Total minimum lease payments		<u>80,529</u>
Less amount representing interest		4,387
Net present value of minimum lease payments		<u>\$ 76,142</u>

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2006

NOTE 18 - SET-ASIDES

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2006.

	Textbook	Capital Maintenance
Balance, July 1, 2005	\$ (81,801)	\$ -
Required set aside	226,706	226,706
Qualifying expenditures	(62,799)	(366,848)
Balance June 30, 2006	\$ 82,106	\$ (140,142)

Expenditures and offset credits for capital maintenance during the year were \$ 366,848, which exceeded the required set-aside and the reserve balance. Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years.

Restricted assets include the amount required by State statute to be set aside to create a reserve for textbooks, limited to the pooled cash balance in the General Fund.

NOTE 19 - 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, 2006.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION

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

LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2006, the District paid \$ 214,680 to LEECA.

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

The Lake Erie Regional Council of Governments (LERC) is a jointly governed organization among fourteen districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, food service and insurance. Each member provided operating resources to LERC on a per pupil or usage charge except for insurance. The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2006 the District paid \$ 183,981 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, 2006

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (the Council) is a jointly governed organization among eighty-three school districts. The Council 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, driver education, food service, and insurance. Each member provided operating resources to the Council on a per pupil or actual usage charge except for insurance.

The Council assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. The Council 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 Executive Secretary/Treasurer, Ohio Schools Council, 6133 Rockside Road, Suite 10, Independence, Ohio 44131. During the year ended June 30, 2006, the District paid approximately \$ 46,556 to the Ohio Schools Council.

NOTE 21 - SUBSEQUENT EVENTS

In July 2006, the District obtained a Tax Anticipation Note in the amount of \$ 800,000 due to mature in June 2007.

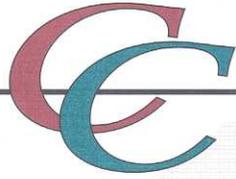
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CLEARVIEW LOCAL SCHOOL DISTRICT  
SUPPLEMENTAL AUDITOR'S REPORTS  
JUNE 30, 2006

CLEARVIEW LOCAL SCHOOL DISTRICT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

YEAR ENDED JUNE 30, 2006



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**COSTIN + COMPANY**

Certified Public Accountants

35945 Center Ridge Road  
North Ridgeville, OH 44039

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Clearview Local School District  
Lorain, Ohio

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clearview Local School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statement and have issued our report thereon dated February 16, 2007. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clearview Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2006 - 003

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

We noted certain additional matters that we have reported to management of the District in a separate letter dated February 16, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clearview Local School District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We noted certain additional matters that we have reported to management of the District in a separate letter dated February 16, 2007.

This report is intended solely for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

February 16, 2007

A handwritten signature in black ink that reads "Kootin + Company". The signature is written in a cursive, flowing style with a horizontal line underneath the text.

CLEARVIEW LOCAL SCHOOL DISTRICT

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2006



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**COSTIN + COMPANY**

Certified Public Accountants

35945 Center Ridge Road  
North Ridgeville, OH 44039

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Clearview Local School District  
Lorain, Ohio

Compliance

We have audited the compliance of the Clearview Local School District, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clearview Local School District's management. Our responsibility is to express an opinion on the Clearview Local School District's compliance based on our audit.

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

In our opinion, the Clearview Local School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### Internal Control Over Compliance

The management of the Clearview Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Clearview Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### Schedule of Federal Awards Expenditures

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2006, and have issued our report thereon dated February 16, 2007. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A - 133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

February 16, 2007

The image shows a handwritten signature in black ink that reads "Kootin + Company". The signature is written in a cursive, flowing style with a horizontal line underneath the text.

CLEARVIEW LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505  
YEAR ENDED JUNE 30, 2006

CLEARVIEW LOCAL SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 §.505

JUNE 30, 2006

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions report for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions 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	No
(d)(1)(vii)	Major Programs	84.027 Title VI B - Special Education - Grants to States
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(x)	Low Risk Auditee?	Yes

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

2006-001

Ohio Revised Code 5705.10 states that money that is to be paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At June 30, 2006 the Food Service Fund and the Latchkey Fund had deficit cash balances of \$ 35,151 and \$ 249,185, respectively.

CLEARVIEW LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505  
JUNE 30, 2006

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED  
TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)

2006-002

Though no statutory provisions directly address interfund advances, requirements are in part derived from Ohio Revised Code Sections: 5705.10; 5705.14; 5705.15; 5705.39; 5705.41 and 5705.36. In summary, in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established.

During the year ended June 30, 2006, the Debt Service Fund advanced \$ 168,000 to the General Fund. In July 2006, the General Fund repaid the Debt Service Fund in full.

2006-003

Statement on Auditing Standards (SAS) No. 70, Service Organizations, is a recognized auditing standard developed by the American Institute of Certified Public Accountants (AICPA). A SAS 70 audit is widely recognized, because it represents that a service organization has been through an in-depth audit of their internal control activities, which generally include controls over information technology and related processes. Service organizations must demonstrate that they have adequate internal controls and safeguards in place to secure processing and information of their customers.

The District has an agreement with Lake Erie Regional Council (LERC), a service provider, to provide claims processing for the Service Center's self-insurance program. Under SAS 70, the District should be receiving a SAS 70 report from their service organization annually. For the period under audit, a SAS 70 report was not available.

To reasonably ensure, the completeness and accuracy of claims processed by LERC, a SAS 70 Tier II report which prescribes testing and reporting standards for audits of claims processing internal controls in place at the service organization should be provided. Such a report, if unqualified, would provide evidence to the District's management that claims are being processed in conformance with the Service Center's health insurance plan.

As of January 1, 2006, the District contracted with Medical Mutual to provide medical claims processing services. Medical Mutual does provide a Type II SAS 70 report, which received an unqualified opinion for the period ending May 31, 2006

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS                      None

CLEARVIEW LOCAL SCHOOL DISTRICT  
 SCHEDULE OF PRIOR AUDIT FINDINGS  
 OMB CIRCULAR A-133 §.315b  
 JUNE 30, 2006

Finding Number	Finding Summary	Fully Corrected	Explanation
2005-001	The District has an agreement with Lake Erie Regional Council (LERC), a service provider, to provide claims processing for the Service Center's self-insurance program. A SAS 70 Tier II report was not provided by LERC.	Yes	See Schedule of Findings

CLEARVIEW LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2006

CLEARVIEW LOCAL SCHOOL DISTRICT  
SCHEDULE OF FEDERAL AWARDS  
JUNE 30, 2006

	CFDA Number	Pass Through Number	Revenue Recognized	Federal Expenditure
<u>U.S. Department of Agriculture</u>				
<i>Passed Through the Ohio Department of Education</i>				
Nutrition Cluster:				
School Breakfast Program	10.553	05-PU-06	\$ 134,427	\$ 134,427
National School Lunch Program	10.555	23-PU-06	373,369	373,369
Summer Food Service	10.559	LL-P4-06	564	564
Team Nutrion	10.574	LL-P4-06	490	490
Total U.S. Department of Agriculture			<u>508,850</u>	<u>508,850</u>
<u>U.S. Department of Education</u>				
<i>Passed through State Department of Education</i>				
Title I	84.010	C1-S1-06	326,834	319,569
Title I	84.010	C1-S1-05	-	44,984
Total Title I			<u>326,834</u>	<u>364,553</u>
Special Education Cluster:				
Title VI-B	84.027	6B-SF-06	339,394	295,545
Title VI-B	84.027	6B-SF-05	-	42,250
Total Special Education Cluster			<u>339,394</u>	<u>337,795</u>
Safe and Drug Free Schools	84.186	DR-S1-06	9,627	8,808
Safe and Drug Free Schools	84.186	DR-S1-05	-	962
Total Safe and Drug Free Schools			<u>9,627</u>	<u>9,770</u>
Title V Innovative Program	84.298	C2-S1-06	5,073	3,636
Title V Innovative Program	84.298	C2-S1-05	-	186
Total Title V Innovative Program			<u>5,073</u>	<u>3,822</u>
Title II D Technology	84.318	TJ-S1-06	8,093	7,359
Title II D Technology	84.318	TJ-S1-05	-	920
Total Title II D Technology			<u>8,093</u>	<u>8,279</u>
Immigrant Grant Title II	84.365	T3-S2-06	3,300	3,300
Total Immigrant Grant Title II			<u>3,300</u>	<u>3,300</u>
Title II-A Improving Teacher Quality	84.367	TR-S1-06	84,466	77,407
Title II-A Improving Teacher Quality	84.367	TR-S1-05	17,313	15,058
Total Title II-A Improving Teacher Quality			<u>101,779</u>	<u>92,465</u>
Total U.S. Department of Education			<u>794,100</u>	<u>819,984</u>
<u>U.S. Department of Health and Human Services</u>				
Medical Assistance Program	93.778	N/A	13,709	13,709
Total U.S. Department of Health and Human Services			<u>13,709</u>	<u>13,709</u>
<u>Corporation for National and Community Service</u>				
Learn and Serve America	94.004	SV-S1-05	-	1,614
Total Learn and Serve America			<u>-</u>	<u>1,614</u>
Total Corporation for National and Community Service			<u>-</u>	<u>1,614</u>
Total Federal Financial Assistance			<u>\$ 1,316,659</u>	<u>\$ 1,344,157</u>

The accompanying notes to this schedule are an integral part of this schedule.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2006

NOTE A SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures and Federal Awards (Schedule) includes the federal grant activity of the Clearview Local School District and is presented on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements, which are presented on the full accrual basis.

NOTE B CHILD NUTRITION CLUSTER

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

CFDA – Catalog of Federal Domestic Assistance Number

N/A – Not Applicable



**Mary Taylor, CPA**  
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  
MAY 10, 2007**