

CLEARVIEW LOCAL SCHOOL DISTRICT  
BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004





**Auditor of State  
Betty Montgomery**

Board of Education  
Clearview Local School District  
4700 Broadview Avenue  
Lorain, Ohio 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, 2003 to June 30, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

March 31, 2005

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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 compliance and on internal control over financial reporting 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	49
Schedule of findings and questioned costs, OMB circular A-133 §505	51
Schedule of expenditures and federal awards	52

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**COSTIN + COMPANY**

Certified Public Accountants

35945 Center Ridge Road  
North Ridgeville, OH 44039**INDEPENDENT AUDITOR'S OPINION**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 Clearview Local School District, Lorain County, Ohio as of and for the year ended June 30, 2004, 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 misstatements. 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 Clearview Local School District, Lorain County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments and changed its accounting for capital assets.

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2005, in our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. 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.

North Ridgeville, Ohio  
January 17, 2005

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CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDE JUNE 30, 2004

*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, 2004. 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 2004 are as follows:

In total, net assets increased by \$ 422,072.

Revenues for governmental activities totaled \$ 14,895,268 in 2004. Of this total, 71 percent consisted of General revenues while Program revenues accounted for the remaining balance of 29 percent.

Program expenses totaled \$ 14,473,196. Instructional expenses made up 53 percent of this total while support services accounted for 35 percent. Other expenses rounded out the remaining 12 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 Classroom Facilities Commission 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 2004?" 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.

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDE JUNE 30, 2004

*Unaudited*

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 13. 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 Classroom Facilities Commission 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 ENDE JUNE 30, 2004

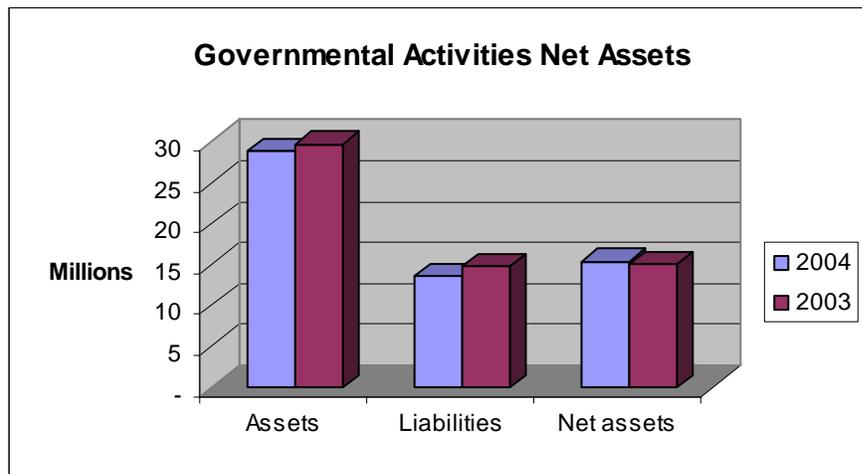
*Unaudited*

**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 2004 compared to 2003:

**Table 1**  
Total Net Assets

	2004	2003
<b>Assets</b>		
Current and other assets	\$ 6,715,181	\$ 14,387,575
Total capital assets, net	22,180,606	15,303,131
<b>Total assets</b>	<b>28,895,787</b>	<b>29,690,706</b>
<b>Liabilities</b>		
Current liabilities	6,924,174	8,082,811
Long term liabilities		
Due within one year	262,404	171,916
Due in more than one year	6,330,631	6,479,473
<b>Total liabilities</b>	<b>13,517,209</b>	<b>14,734,200</b>
<b>Net assets</b>		
Invested in capital assets, net of related debt	16,476,237	9,491,478
Restricted for:		
Debt service	208,642	213,393
Capital projects	978,299	6,423,659
Other purposes	91,166	36,067
Unrestricted	(2,375,766)	(1,208,091)
<b>Total net assets</b>	<b>\$ 15,378,578</b>	<b>\$ 14,956,506</b>



CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDE JUNE 30, 2004

*Unaudited*

**Governmental Activities**

Total assets decreased by \$ 794,919. This is the result of a net increase of \$ 6,877,475 in capital assets, primarily due to additions and renovation of district wide buildings. The increase in capital assets was offset by a reduction in cash of \$ 5,784,170, which was used for the buildings renovations and construction. The remainder of the net increase is attributed to a decrease in due from other governments and taxes receivable of \$ 1,888,224.

Total liabilities decreased by \$ 1,216,991. The majority of the decrease can be attributed primarily to decrease in unearned revenue of \$ 1,927,667. Accounts and contracts payable, and due to others increased \$ 363,276 and \$ 191,160 respectively. Long term liabilities decreased by \$ 58,354. The remainder of the decrease is attributed to claims payable, retainage payable, accrued salaries, wages and benefits, accrued interest payable, and due to other governments, which accounts for an increase of \$ 214,594

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$ 422,072.

The vast majority of revenue supporting all Governmental Activities is General revenue. General revenues totaled \$ 10,539,218 or 71 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 \$ 4,356,050 or only 29 percent of total revenue.

Table 2 summarizes the revenues, expenses and the changes in net assets for fiscal year 2004. Since this is the first year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDE JUNE 30, 2004

*Unaudited*

**Table 2**  
Governmental Activities

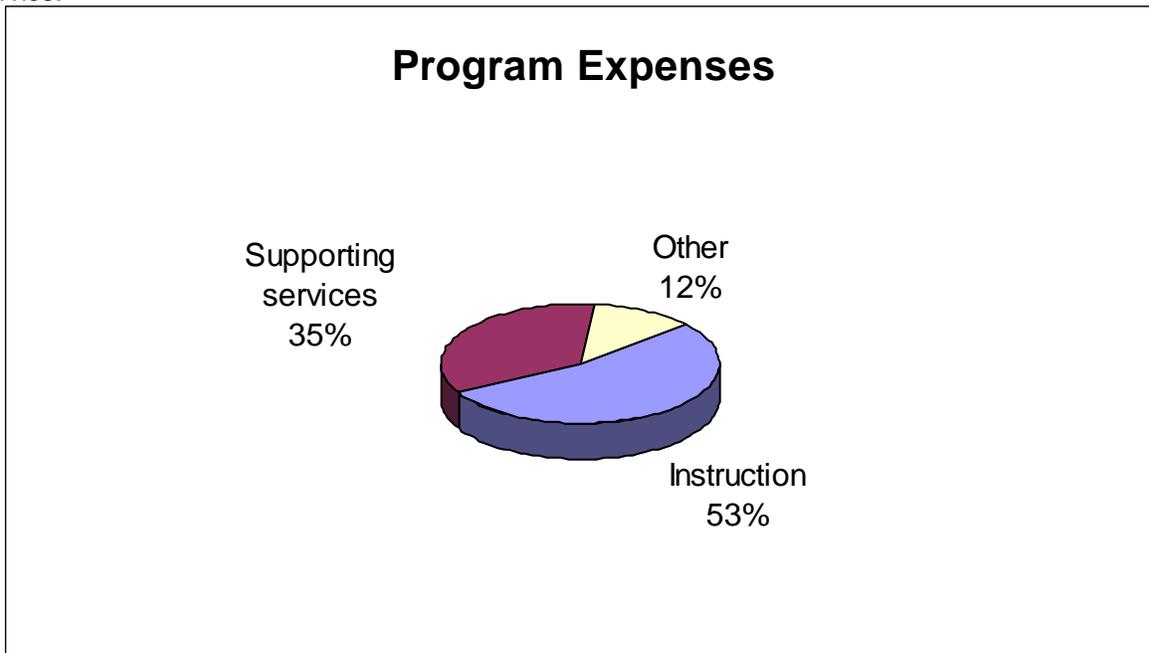
Revenues	
Program revenues	
Charges for services	\$ 1,247,101
Operating grants and contributions	1,401,038
Capital grants and contributions	1,707,911
Total program revenues	<u>4,356,050</u>
General revenues	
Property taxes	2,604,258
Grants and entitlements not restricted to specific purposes	7,790,671
Investment earnings	128,480
Miscellaneous	15,809
Total general revenues	<u>10,539,218</u>
Total revenues	<u>14,895,268</u>
Program expenses	
Instruction	
Regular	6,207,344
Special	1,353,973
Vocational	128,616
Supporting services	
Pupil	598,984
Instructional staff	843,432
Board of education	23,038
Administration	903,887
Fiscal services	344,597
Business	300,168
Operation and maintenance	1,391,985
Pupil transportation	552,347
Central services	73,742
Operation of non-instructional	
Food service operation	700,621
Community services	340,586
Enterprise operations	22,186
Extracurricular activities	
Academic and subject oriented	93,843
Sports oriented	270,498
Interest	321,784
Total expenses	<u>14,473,196</u>
Change in net assets	422,072
Net assets at beginning of year, restated	14,956,506
Net assets, end of year	<u>\$ 15,378,578</u>

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDE JUNE 30, 2004

*Unaudited*

The School District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In June of 2004, 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 58 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 29 percent. The remaining program expenses of 13 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 ENDE JUNE 30, 2004

*Unaudited*

**Table 3**  
Governmental Activities

	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental activities		
Instruction		
Regular	\$ 6,207,344	\$ (3,496,046)
Special	1,353,973	(745,929)
Vocational	128,616	(128,616)
Supporting services		
Pupil	598,984	(512,308)
Instructional staff	843,432	(673,533)
Board of education	23,038	(23,038)
Administration	903,887	(890,279)
Fiscal services	344,597	(344,597)
Business	300,168	(300,168)
Operation and maintenance	1,391,985	(1,388,714)
Pupil transportation	552,347	(552,347)
Central services	73,742	(68,358)
Operation of non-instructional		
Food service operation	700,621	(32,452)
Community services	340,586	(340,586)
Enterprise operations	22,186	(1,051)
Extracurricular activities		
Academic and subject orientec	93,843	(93,843)
Sports oriented	270,498	(201,932)
Interest	321,784	(321,784)
Totals	<u>\$ 14,473,196</u>	<u>\$ (10,117,146)</u>

Program revenues fund 30 percent of all governmental expenses. Grants and entitlements not restricted to specific programs support 54 percent. Approximately 18 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 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 14,836,030 and expenditures of \$ 21,255,773. The net changes in fund balances for the year were as follows: General Fund (\$ 885,564), Classroom Facilities Commission Fund (\$ 5,051,797) and Other Governmental Funds (\$ 364,033).

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDE JUNE 30, 2004

*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 2004, 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 \$ 652,464 or 6% of the actual received. The increase was due primarily to open enrollment from Lorain Catholic High School. Actual expenditures for the year were \$ 649,858 or 6% 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.

The above circumstances allowed the School District to end the school year with a General Fund unencumbered cash balance of \$ 139,486 which was \$ 2,606 higher than original projections.

**Capital Assets and Debt Administration**

Capital Assets

All capital assets, except land, are reported net of depreciation. At the end of fiscal 2004, the School District had \$ 22,180,606. invested in land, buildings, equipment and vehicles. Table 4 shows fiscal 2004 values compared to 2003.

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

	2004	2003 Restated
Land	\$ 47,080	\$ 47,080
Construction in progress	-	14,365,553
Building and improvements	21,518,446	311,968
Furniture and equipment	390,145	460,504
Vehicles	224,935	118,026
	\$ 22,180,606	\$ 15,303,131

During fiscal 2004, the capital assets had a net increase of \$6,877,475, primarily due to additions and renovation of district wide buildings.

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDE JUNE 30, 2004

*Unaudited*

**Debt**

At June 30, 2004 the School District had \$ 5,410,000 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 for a period of 23 years.

**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. The Clearview voters have in the past continued to show their support for the schools, as illustrated with the passage of levies. A levy will be placed on the November ballot of 4.9 mills.

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, 2004

	Governmental Activities
<b>Assets</b>	
Equity in pooled cash	\$ 3,480,981
Due from other governments	372,906
Taxes receivable	2,861,294
Capital assets	
Nondepreciable capital assets	47,080
Depreciable capital assets	22,133,526
<b>Total assets</b>	<u>28,895,787</u>
<b>Liabilities</b>	
Accounts and contracts payable	1,577,885
Claims payable	307,834
Retainage payable	303,150
Accrued salaries, wages and benefits	1,525,746
Accrued interest payable	25,600
Due to other governments	403,991
Due to others	212,701
Unearned revenue	2,567,267
Long term liabilities	
Due within one year	262,404
Due in more than one year	6,330,631
<b>Total liabilities</b>	<u>13,517,209</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	16,476,237
Restricted for:	
Debt service	208,642
Capital projects	978,299
Other purposes	91,166
Unrestricted (deficit)	(2,375,766)
<b>Total net assets</b>	<u>\$ 15,378,578</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, 2004

	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	\$ 6,207,344	\$ 889,174	\$ 148,038	\$ 1,674,086	\$ (3,496,046)
Special	1,353,973	-	608,044	-	(745,929)
Vocational	128,616	-	-	-	(128,616)
Supporting services					
Pupil	598,984	58,574	28,102	-	(512,308)
Instructional staff	843,432	-	136,074	33,825	(673,533)
Board of education	23,038	-	-	-	(23,038)
Administration	903,887	-	13,608	-	(890,279)
Fiscal services	344,597	-	-	-	(344,597)
Business	300,168	-	-	-	(300,168)
Operation and maintenance	1,391,985	-	3,271	-	(1,388,714)
Pupil transportation	552,347	-	-	-	(552,347)
Central services	73,742	-	5,384	-	(68,358)
Operation of non-instructional					
Food service operation	700,621	209,652	458,517	-	(32,452)
Community services	340,586	-	-	-	(340,586)
Enterprise operations	22,186	21,135	-	-	(1,051)
Extracurricular activities					
Academic and subject oriented	93,843	-	-	-	(93,843)
Sports oriented	270,498	68,566	-	-	(201,932)
Interest	321,784	-	-	-	(321,784)
Totals	<u>\$ 14,473,196</u>	<u>\$ 1,247,101</u>	<u>\$ 1,401,038</u>	<u>\$ 1,707,911</u>	<u>(10,117,146)</u>

General revenues	
Property taxes levied for:	
General purpose	2,140,935
Debt service	360,185
Capital improvements	103,138
Grants and entitlements not restricted to specific purposes	7,790,671
Investment earnings	128,480
Miscellaneous	15,809
Total general revenues	<u>10,539,218</u>
Change in net assets	422,072
Net assets at beginning of year, restated	14,956,506
Net assets at end of year	<u>\$ 15,378,578</u>

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

CLEARVIEW LOCAL SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2004

	General Fund	Classroom Facilities Commission Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in pooled cash	\$ -	\$ 2,052,955	\$ 1,288,540	\$ 3,341,495
Restricted cash	139,486	-	-	139,486
Receivables, net of allowance				
Taxes, current	2,207,998	-	471,896	2,679,894
Taxes, delinquent	148,000	-	33,400	181,400
Due from other governments	-	165,387	207,519	372,906
Interfund receivable	96,066	-	134	96,200
<b>Total assets and other debits</b>	<b><u>\$ 2,591,550</u></b>	<b><u>\$ 2,218,342</u></b>	<b><u>\$ 2,001,489</u></b>	<b><u>\$ 6,811,381</u></b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 38,525	\$ 1,475,527	\$ 63,833	\$ 1,577,885
Retainage payable	-	303,150	-	303,150
Accrued salaries, wages and benefits	1,361,956	-	163,790	1,525,746
Due to other governments	238,280	-	25,964	264,244
Interfund payable	-	-	96,200	96,200
Due to others	-	-	1,025	1,025
Deferred revenue	2,130,014	165,387	505,595	2,800,996
Accrued leave benefits	45,439	-	-	45,439
<b>Total liabilities</b>	<b><u>3,814,214</u></b>	<b><u>1,944,064</u></b>	<b><u>856,407</u></b>	<b><u>6,614,685</u></b>
<b>Fund balances</b>				
Reserved for budget stabilization	170,772	-	-	170,772
Reserved for property taxes	225,984	-	52,030	278,014
Reserved for encumbrances	30,856	670,966	676	702,498
Unreserved, reported in				
General Fund	(1,650,276)	-	-	(1,650,276)
Special Revenue Funds	-	-	258,723	258,723
Debt Service Fund	-	-	141,659	141,659
Capital Projects Funds	-	(396,688)	691,994	295,306
<b>Total fund balances</b>	<b><u>(1,222,664)</u></b>	<b><u>274,278</u></b>	<b><u>1,145,082</u></b>	<b><u>196,696</u></b>
 <b>Total liabilities and fund balances</b>	 <b><u>\$ 2,591,550</u></b>	 <b><u>\$ 2,218,342</u></b>	 <b><u>\$ 2,001,489</u></b>	 <b><u>\$ 6,811,381</u></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, 2004

Total governmental funds balances	\$	196,696
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.		22,180,606
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.		233,729
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.		(519,510)
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.		(139,747)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(843,227)
Accrued interest		(25,600)
Bonds payable		(5,410,000)
Capital leases payable		(294,369)
		(6,073,196)
Net assets of governmental activities	\$	15,378,578

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, 2004

	General Fund	Classroom Facilities Commission Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,136,735	\$ -	\$ 464,923	\$ 2,601,658
Tuition and fees	875,632	-	41,508	917,140
Interest	23,558	31,846	73,076	128,480
Intergovernmental	7,590,566	1,674,086	1,582,639	10,847,291
Extracurricular	-	-	104,704	104,704
Charges for services	-	-	167,806	167,806
Other	13,542	-	55,409	68,951
<b>Total revenues</b>	<b>10,640,033</b>	<b>1,705,932</b>	<b>2,490,065</b>	<b>14,836,030</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular	5,726,442	-	153,342	5,879,784
Special	702,869	-	552,687	1,255,556
Vocational	150,332	-	-	150,332
Other instruction	-	1,407	158	1,565
<b>Supporting services</b>				
Pupil	484,067	-	83,644	567,711
Instructional staff	618,935	-	169,815	788,750
Board of education	22,787	-	-	22,787
Administration	871,244	-	21,386	892,630
Fiscal services	290,633	-	8,531	299,164
Business	270,979	-	27,669	298,648
Operation and maintenance	1,307,350	1,134,086	96,919	2,538,355
Pupil transportation	508,612	-	876	509,488
Central services	19,213	-	53,384	72,597
<b>Operation of non-instructional</b>				
Food service operation	-	-	661,966	661,966
Community services	45,430	-	292,292	337,722
Enterprise operations	-	-	22,186	22,186
Extracurricular activities	291,444	-	63,744	355,188
Capital outlay	-	5,622,236	435,600	6,057,836
<b>Debt service</b>				
Principal	126,324	-	95,000	221,324
Interest	12,523	-	309,661	322,184
<b>Total expenditures</b>	<b>11,449,184</b>	<b>6,757,729</b>	<b>3,048,860</b>	<b>21,255,773</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(809,151)</b>	<b>(5,051,797)</b>	<b>(558,795)</b>	<b>(6,419,743)</b>
<b>Other financing sources (uses)</b>				
Transfers-in	-	-	194,762	194,762
Proceeds from capital lease	114,040	-	-	114,040
Gain on asset disposal	4,309	-	-	4,309
Transfers-out	(194,762)	-	-	(194,762)
<b>Total other financing sources (uses)</b>	<b>(76,413)</b>	<b>-</b>	<b>194,762</b>	<b>118,349</b>
<b>Net change in fund balances</b>	<b>(885,564)</b>	<b>(5,051,797)</b>	<b>(364,033)</b>	<b>(6,301,394)</b>
Fund balances, beginning of year, as restated	(337,100)	5,326,075	1,509,115	6,498,090
<b>Fund balances, end of year</b>	<b>\$ (1,222,664)</b>	<b>\$ 274,278</b>	<b>\$ 1,145,082</b>	<b>\$ 196,696</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, 2004

Net change in fund balances - total governmental funds \$ (6,301,394)

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

Governmental funds report capital outlays as expenditures.  
How ever, in the statement of activities, the cost of those  
assets is allocated over their usefull lives and reported as  
depreciation expense. This is the amount by w hich capital  
outlays exceeded depreciation in the current period.

Capital outlay	7,257,964	
Depreciation expense	(380,489)	
Total	6,877,475	6,877,475

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

Property taxes	2,600	
Due from other governments	52,329	
	54,929	54,929

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

107,684

Some expenses reported in the statement of activities,  
such as compensated absences and intergovernmental  
payable w hich 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	(40,303)	
Pension obligations	(7,670)	
	(47,973)	(47,973)

The internal service fund used by management to charge the  
costs of insurance to individual funds is not reported in  
the district-w ide 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.

(268,649)

Change in net assets of governmental activities

\$ 422,072

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, 2004

	General			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Taxes	\$ 2,047,130	\$ 2,185,529	\$ 2,187,816	\$ 2,287
Tuition and fees	1,016,652	1,085,384	875,632	(209,752)
Interest	38,066	40,639	23,558	(17,081)
Intergovernmental	6,933,089	7,401,811	7,590,566	188,755
Other	8,023	8,565	13,542	4,977
Total revenues	<u>10,042,959</u>	<u>10,721,928</u>	<u>10,691,114</u>	<u>(30,814)</u>
Expenditures				
Current				
Instruction				
Regular	5,094,202	5,493,737	5,483,465	10,272
Special	656,695	708,199	701,150	7,049
Vocational	139,288	150,212	150,145	67
Supporting services				
Pupil	465,259	501,749	491,115	10,634
Instructional staff	608,498	656,222	654,388	1,834
Board of education	21,132	22,789	22,627	162
Administration	816,782	880,842	875,085	5,757
Fiscal services	275,203	296,787	291,177	5,610
Business	387,291	417,666	377,377	40,289
Operation and maintenance	1,262,837	1,361,880	1,320,960	40,920
Pupil transportation	404,767	436,513	430,384	6,129
Central services	34,669	37,388	32,593	4,795
Extracurricular activities	270,148	291,336	291,224	112
Total expenditures	<u>10,436,771</u>	<u>11,255,320</u>	<u>11,121,690</u>	<u>133,630</u>
Excess (deficiency) of revenues over expenditures	<u>(393,812)</u>	<u>(533,392)</u>	<u>(430,576)</u>	<u>102,816</u>
Other financing sources (uses)				
Advances-in	58,200	58,200	58,200	-
Gain (loss) on asset disposal	-	2,700	4,309	1,609
Transfers-out	(195,514)	(195,514)	(194,762)	752
Advances-out	(130,509)	(130,509)	(96,200)	34,309
Total other financing sources (uses)	<u>(267,823)</u>	<u>(265,123)</u>	<u>(228,453)</u>	<u>36,670</u>
Net change in fund balances	(661,635)	(798,515)	(659,029)	139,486
Fund balances, beginning of year, as restated	585,042	585,042	585,042	-
Prior year encumbrances	213,473	213,473	213,473	-
Fund balances, end of year	<u>\$ 136,880</u>	<u>\$ -</u>	<u>\$ 139,486</u>	<u>\$ 139,486</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, 2004

	<u>Self Insurance</u>
Liabilities	
Claims payable	\$ 307,834
Due to others	211,676
Total liabilities	<u>519,510</u>
 Net assets	
Unrestricted	<u>\$ (519,510)</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, 2004

	Self Insurance
Operating revenues	
Charges for services	\$ 1,269,402
Operating expenses	
Purchased services	71,239
Claims	1,466,812
Total operating expenses	1,538,051
Change in net assets	(268,649)
Net assets, beginning of year	(250,861)
Net assets, end of year	\$ (519,510)

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY FUNDS -  
ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2004

	Self Insurance
Cash flows from operating activities	
Cash received from interfund services	\$ 1,269,402
Cash payments for goods and services	(71,239)
Cash payments for claims	(1,198,163)
Net 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 loss	\$ (268,649)
Adjustments	
Increase in claims payable	78,514
Increase in due to others	190,135
Total adjustments	268,649
Net cash used for operating activities	\$ -

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY FUNDS -  
 ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2004

	Agency Funds
<b>Assets</b>	
Equity in pooled cash	\$ 43,060
Total assets	\$ 43,060
 <b>Liabilities</b>	
Due to students	\$ 36,729
Due to others	6,331
Total liabilities	\$ 43,060

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

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, 2003 was 1,469. The District employs 103 certificated and 86 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 governmental activities and 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, 2004

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, 2004

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.

Classroom Facilities Commission Fund – this fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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, 2004

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, 2004

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, 2004, but which were levied to finance fiscal year 2004 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, 2004

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, 2004 totaled \$ 128,480.

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, 2004. 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. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization, limited to the pooled cash balance in the General Fund..

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, 2004

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, 2004

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, encumbrances and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents revenues set aside that exceed statutorily required amounts.

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.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

**A. CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules – Perspective Differences" and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2004, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41 and GASB Interpretation No. 6.

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the reclassification of the internal service fund, reclassification of funds based on guidance provided in GASB Statement No. 34 and the conversion to the accrual basis of accounting.

It was determined that enterprise funds should be reclassified to special revenue funds. The total fund balance amount reclassified pertaining to enterprise funds is (\$ 12,885).

**B. RESTATEMENT OF FUND BALANCE**

The restatements for GASB Statement No. 34 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General Fund	Classroom Facilities Commission Fund	Non-Major Governmental Funds	Total
Fund balances, June 30, 2003	\$ (264,317)	\$ 5,326,075	\$ 1,481,359	\$ 6,543,117
Fund reclassification	(36,539)	-	23,654	(12,885)
Fixed assets, net	-	-	(25,192)	(25,192)
Inventories and supplies	-	-	(7,079)	(7,079)
Accrued expenses	(36,244)	-	36,373	129
Restated fund balances, June 30, 2003	<u>\$ (337,100)</u>	<u>\$ 5,326,075</u>	<u>\$ 1,509,115</u>	<u>6,498,090</u>
GASB 34 adjustments				
Capital assets				15,303,131
Internal Service Fund				(250,861)
Long-term assets				178,800
Long-term liabilities				(6,772,654)
Governmental activities net assets, June 30, 2003				<u>\$ 14,956,506</u>

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2004

**NOTE 4 – DEFICIT FUND EQUITY**

At June 30, 2004, the following funds had deficit fund balances.

Major Fund	
General Fund	<u>\$ (1,222,664)</u>
Non-major Funds	
Title VI-B	(348)
Food Service	(26,242)
Latchkey Program	(22,123)
Ohio Reads	(192)
Improving Teacher Quality	(4,603)
Shalimar Fanning Endowment	<u>(1,025)</u>
	<u>\$ (54,533)</u>
Internal Service Fund	
Self Insurance	<u>\$ (519,510)</u>

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, not 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	\$ (659,029)
Adjustments, increase (decrease)	
Revenue accruals	4,759
Expenditure accruals	(231,294)
GAAP basis, as reported	\$ (885,564)

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS

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;

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education), and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the District's deposits was \$ 947,469 and the bank balance was \$ 1,001,052 all of which was covered by federal depository insurance or by collateral held by a qualified third party trustee in the name of the District.

The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. Investment in STAROhio, the State Treasurer's Investment Pool, is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Category			Carrying Value
	1	2	3	
U.S. Government securities	\$ -	\$ -	\$ 2,490,518	\$ 2,490,518
Money Market Investments				39,612
STAROhio				46,442
				\$ 2,576,572

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 3,524,041	\$ -
U.S. Government securities	(2,490,518)	2,490,518
Money Market Investments	(39,612)	39,612
STAROhio	(46,442)	46,442
GASB Statement No. 3	\$ 947,469	\$ 2,576,572

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 2004 represent the collection of calendar year 2003 taxes. Real property taxes for 2004 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 2004 were levied after April 1, 2004, on the assessed values as of December 31, 2003, 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 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes for 2004 were levied after April 1, 2004, on the value as of December 31, 2003. 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.

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2004

NOTE 7 - PROPERTY TAXES (continued)

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, 2004, are available to finance fiscal year 2003/2004 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, 2004 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 2004 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, 2004 was \$ 288,423 and is recognized as revenue.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Amount	%	Amount	%
Agricultural Residential				
Real Estate	\$ 49,438,440	57.68 %	\$ 56,062,570	60.95 %
Other Commercial	23,353,850	27.24	23,966,320	26.06
Public Utility Tangible	87,840	0.10	96,740	0.11
Tangible Personal Property	12,840,030	14.98	11,843,030	12.88
	<u>\$ 85,720,160</u>	<u>100.00 %</u>	<u>\$ 91,968,660</u>	<u>100.00 %</u>
 Tax Rate per \$ 1,000 of Assessed Valuation:	 <u>47.85</u>		 <u>47.85</u>	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004, consisted of property taxes and amounts due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 8 – RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

<u>Major Fund</u>	<u>Amount</u>
Classroom Facilities Commission	<u>\$ 165,387</u>
<u>Non-major Funds</u>	
Food Service	45,119
Title VI-B	20,102
Title I	74,936
Title VI	3,425
Drug Free Schools	1,854
Improving Teacher Quality	13,717
Miscellaneous Federal Grants	<u>48,366</u>
	<u>207,519</u>
Total due from other governments	<u>\$ 372,906</u>

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

<u>Governmental Activities</u>	<u>Restated Balance June 30, 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2004</u>
Nondepreciable capital assets				
Land	\$ 47,080	\$ -	\$ -	\$ 47,080
Construction in progress	14,365,553	-	14,365,553	-
Total nondepreciable capital assets	<u>14,412,633</u>	<u>-</u>	<u>14,365,553</u>	<u>47,080</u>
Depreciable capital assets				
Buildings and improvements	1,726,636	21,482,054	(1,262,414)	21,946,276
Furniture and equipment	1,798,122	-	(1,189,726)	608,396
Vehicles	407,215	141,463	(124,856)	423,822
Total capital assets being depreciated	<u>3,931,973</u>	<u>21,623,517</u>	<u>(2,576,996)</u>	<u>22,978,494</u>
Less accumulated depreciation				
Buildings and improvements	1,414,668	275,576	(1,262,414)	427,830
Furniture and equipment	1,337,618	70,359	(1,189,726)	218,251
Vehicles	289,189	34,554	(124,856)	198,887
Total accumulated depreciation	<u>3,041,475</u>	<u>380,489</u>	<u>(2,576,996)</u>	<u>844,968</u>
Depreciable capital assets, net of accumulated depreciation	<u>890,498</u>	<u>21,243,028</u>	<u>-</u>	<u>22,133,526</u>
Governmental activities capital assets, net	<u>\$ 15,303,131</u>	<u>\$ 21,243,028</u>	<u>\$ 14,365,553</u>	<u>\$ 22,180,606</u>

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2004

NOTE 9 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction		
Regular	\$	148,835
Special		34,255
Vocational		3,481
Supporting services		
Instructional staff		32,518
Board of education		259
Administration		21,886
Fiscal		41,805
Business		1,520
Operation and maintenance of plant		25,107
Pupil transportation		40,452
Central services		1,145
Operation of non-instructional services		
Food service		8,599
Community services		1,100
Extracurricular activities		
Academic oriented		2,817
Sports oriented		6,336
Total depreciation expense	\$	<u>380,489</u>

NOTE 10 - INTERFUND ACTIVITY

On the fund financial statements at June 30, 2004, interfund balances consisted of the following:

	Receivable	Payable
Major Fund:		
General Fund	\$ 96,066	\$ -
Non-major Funds:		
Food Service	-	16,000
Principal's Fund	134	-
Summer School	-	2,800
Title VI-B	-	20,200
Title I	-	32,500
Improving Teacher Quality	-	6,600
Miscellaneous Federal Grants	-	18,100
Total Non-major Funds	<u>134</u>	<u>96,200</u>
	<u>\$ 96,200</u>	<u>\$ 96,200</u>

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 Funds.

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2004

NOTE 10 - INTERFUND ACTIVITY

During the year ended June 30, 2004, the General fund transferred \$ 194,792 to nonmajor governmental funds to provide for the payment of expenditures.

	Transfers In	Transfers Out
Major Fund:		
General Fund	\$ -	\$ 194,762
Non-major Funds:		
M.I.S.	48,000	-
Latchkey Program	146,762	-
Total Non-major Funds	194,762	-
	\$ 194,762	\$ 194,762

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.

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2004

NOTE 11 - RISK MANAGEMENT (continued)

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 \$ 307,834 reported at June 30, 2004 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, 2004 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

	June 30, 2004	June 30, 2003
Unpaid claims, beginning of year	\$ 251,940	\$ 149,017
Incurred claims	1,444,192	1,094,740
Claims payments	(1,388,298)	(991,817)
Unpaid claims, end of year	\$ 307,834	\$ 251,940

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The District contributes to the School Employees Retirement System of Ohio (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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2004, 2003, and 2002 were \$ 260,500, \$ 262,300, and \$ 238,500, respectively. The full amount has been contributed for 2003 and 2002. For 2004, \$ 205,800 (79%) has been contributed. \$ 54,700 represents the unpaid contribution for fiscal year 2004.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS Ohio)

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

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

DB Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 % for 32 years, 3.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the lapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever come later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

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

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent. 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, 2004, 2003, and 2002 were \$ 832,200, \$ 805,600, and \$ 748,000, respectively. For 2004, \$ 689,600 (83%) has been contributed. The full amount has been contributed for 2003 and 2002.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2004 Comprehensive Annual Financial Report can be requested by writing STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371, or by calling 614-227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides access to health care coverage to retired who participated in the Defined Benefit or Combined Plans and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated 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.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2004, and June 30, 2003, the board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2004 were as follows:

	Balance			Amounts	
	June 30, 2003	Increase	Decrease	Balance June 30, 2004	Due In One Year
Bonds payable	\$ 5,505,000	\$ -	\$ 95,000	\$ 5,410,000	\$ 110,000
Capital leases	306,653	114,040	126,324	294,369	106,965
Compensated absences	807,729	126,375	45,438	888,666	45,439
	<u>\$ 6,619,382</u>	<u>\$ 240,415</u>	<u>\$ 266,762</u>	<u>\$ 6,593,035</u>	<u>\$ 262,404</u>

Principal and interest requirements to retire bonds payable outstanding at June 30, 2004, were as follows:

Year ending June 30,	Principal	Interest	Total
2005	\$ 110,000	\$ 305,428	\$ 415,428
2006	115,000	300,583	415,583
2007	125,000	295,208	420,208
2008	135,000	286,489	421,489
2009	145,000	282,630	427,630
2010 - 2014	945,000	1,280,896	2,225,896
2015 - 2019	1,410,000	943,597	2,353,597
2020 - 2024	2,095,000	418,908	2,513,908
2025	330,000	9,900	339,900
	<u>\$ 5,410,000</u>	<u>\$ 4,123,639</u>	<u>\$ 9,533,639</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.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 15 – BONDS PAYABLE

Bonds payable at year end consisted of:

	<u>Outstanding June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2004</u>
General obligation bonds				
School Improvement, (1999)				
6.125% through 2024	\$ 3,215,000	\$ -	\$ 30,000	\$ 3,185,000
Building construction, (2001)				
5.280% through 2023	2,290,000	-	65,000	2,225,000
	<u>\$ 5,505,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 5,410,000</u>

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

NOTE 16 – 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, 2004.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2004, are as follows:

	<u>Year ending June 30,</u>	<u>Amount</u>
	2005	\$ 117,880
	2006	122,002
	2007	52,023
	2008	25,023
Total minimum lease payments		<u>316,928</u>
Less amount representing interest		22,559
Net present value of minimum lease payments		<u>\$ 294,369</u>

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 17 – OPERATING LEASE

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. During 2004, expenditures for operating leases totaled \$ 40,042.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2004.

	Year ending June 30,	Amount
	2005	7,084
Total minimum lease payments		<u>\$ 7,084</u>

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. In addition, the District has set aside money for budget stabilization. The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2004.

	Textbook	Capital Maintenance	Budget Stabilization
Balance, July 1, 2003	\$ (183,412)	\$ -	\$ 170,772
Required set aside	209,818	209,818	-
Qualifying expenditures	(76,457)	(209,818)	-
Balance June 30, 2004	<u>\$ (50,051)</u>	<u>\$ -</u>	<u>\$ 170,772</u>
Carry forward at June 30, 2004	<u>\$ (50,051)</u>	<u>\$ -</u>	<u>\$ -</u>

Expenditures and offset credits for textbooks and capital maintenance during the year were \$ 76,457 and \$ 5,847,495, respectively, which exceeded the required set-aside and the reserve balance. Textbook expenditures and offset credits have exceeded statutory requirements by \$ 50,051 which may be used as offset credits for future years' set aside requirements. 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 budget stabilization, limited to the pooled cash balance in the General Fund.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION

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

LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2004, the District paid \$ 56,900 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, 2004 the District paid \$ 321,000 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, 2004

NOTE 19 - 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, 2004, the District paid approximately \$ 375 to the Ohio Schools Council.

NOTE 20 – STATE SCHOOL FUNDING DECISION

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 21 - 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.

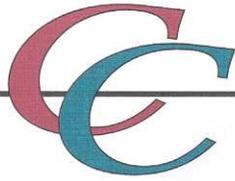
Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

CLEARVIEW LOCAL SCHOOL DISTRICT  
SUPPLEMENTAL AUDITOR'S REPORTS  
JUNE 30, 2004

CLEARVIEW LOCAL SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2004



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**COSTIN + COMPANY**

Certified Public Accountants

35945 Center Ridge Road  
North Ridgeville, OH 44039

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

Board of Education  
Clearview School District  
Lorain, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clearview School District, Lorain, Ohio as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statement and have issued our report thereon dated January 17, 2005, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 34 and changed its accounting for capital assets. We have 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.

**Compliance**

As part of obtaining reasonable assurance about whether 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 grants, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted immaterial instances of non-compliance that we have reported to management of Clearview School District in a separate letter dated January 17, 2005.

**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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 17, 2005.

This report is intended solely for the information and use of management, Governing Board, 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.

January 17, 2005

CLEARVIEW LOCAL SCHOOL DISTRICT

INDEPENDENT ACCOUNTANT'S 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, 2004



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**COSTIN + COMPANY**

Certified Public Accountants

35945 Center Ridge Road  
North Ridgeville, OH 44039

INDEPENDENT ACCOUNTANT'S 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, 2004. 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, 2004.

**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. However, we noted immaterial instances of matters involving the internal control that we have reported to management of Clearview School District in a separate letter dated January 17, 2005.

Schedule of Federal Awards Expenditures

We have audited the basic financial statements of the District as of and for the year ended June 30, 2004, and have issued our report thereon dated January 17, 2005, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 34 and changed its accounting for capital assets. Our audit was performed for the purpose of forming an opinion 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 Governing Board, 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.

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

January 17, 2005

CLEARVIEW LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505  
YEAR ENDED JUNE 30, 2004

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

JUNE 30, 2004

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)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other 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	10.553 Food Service 10.556 Summer School Service 10.559 National School Lunch Program 10.555 School Lunch Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS None

CLEARVIEW LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2004

CLEARVIEW LOCAL SCHOOL DISTRICT  
SCHEDULE OF FEDERAL AWARDS  
JUNE 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
<u>U.S. Department of Agriculture</u>				
<i>Passed Through the Ohio Department of Education</i>				
Nutrition cluster:				
School Breakfast Program		10.553	\$ 94,367	\$ 94,367
Food Service Produce		10.556	6,729	11,579
Summer Food Service	n/a	10.559	1,927	1,927
National School Lunch Program	04-PU-04	10.555	336,813	336,813
Total Department of Agriculture - Nutrition Cluster			<u>439,836</u>	<u>444,686</u>
<u>U.S. Department of Education</u>				
<i>Passed Through the Ohio Department of Education</i>				
Title 1 FY03	C1-S1-03	84.010	52,339	67,180
Title 1 FY04	C1-S1-04	84.010	362,073	334,118
Total Title I			<u>414,412</u>	<u>401,298</u>
Special Education Cluster:				
Title VI-B	6B-SF-03	84.027	2,912	25,556
Title VI-B	6B-SF-04	84.027	172,962	165,740
Total Special Education Cluster			<u>175,874</u>	<u>191,296</u>
Title V Innovative Program FY03	C2-S1-03	84.298	10,327	14,420
Drug-Free Schools	DR-S1-04	84.186	11,441	11,828
Improving Teacher Quality	TR-F1-04	84.367	87,414	97,899
Title II D Technology	TJ-S1-04	84.318	8,687	7,684
<u>U.S. Department of Health and Human Services</u>				
Medical Assistance Program	N/A	93.778	69,477	118,073
<u>Corporation for National Community Services</u>				
<i>Passed Through the Ohio Department of Education</i>				
Learn and Serve America	SV-S1-03	94.004		12,195
	SV-S1-04	94.004	10,000	7,362
			<u>10,000</u>	<u>19,557</u>
Total Federal Assistance			<u>\$ 1,227,468</u>	<u>\$ 1,306,741</u>

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS  
JUNE 30, 2004

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 financial statements.

CFDA – Catalog of Federal Domestic Assistance Number

N/A – Not Applicable



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
APRIL 12, 2005**