

**Mary Taylor, CPA**  
Auditor of State



**CLEARVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clearview Local School District, Lorain County, Ohio, (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clearview Local School District, Lorain County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 12, 2009

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

*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, 2008. 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 2008 are as follows:

In total, net assets decreased by \$ 489,508.

Revenues for governmental activities totaled \$ 15,315,418 in 2008. Of this total, 63.7 percent consisted of General revenues while Program revenues accounted for the remaining balance of 36.3 percent.

Program expenses totaled \$ 15,804,926. Instructional expenses made up 56.0 percent of this total while support services accounted for 32.6 percent. Other expenses rounded out the remaining 11.4 percent.

### **Using this Financial Report**

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

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

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

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

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all the current year's revenues and expenses regardless of when cash is received or paid.

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
*Unaudited*

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

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

Fund Financial Statements

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

Governmental Funds

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



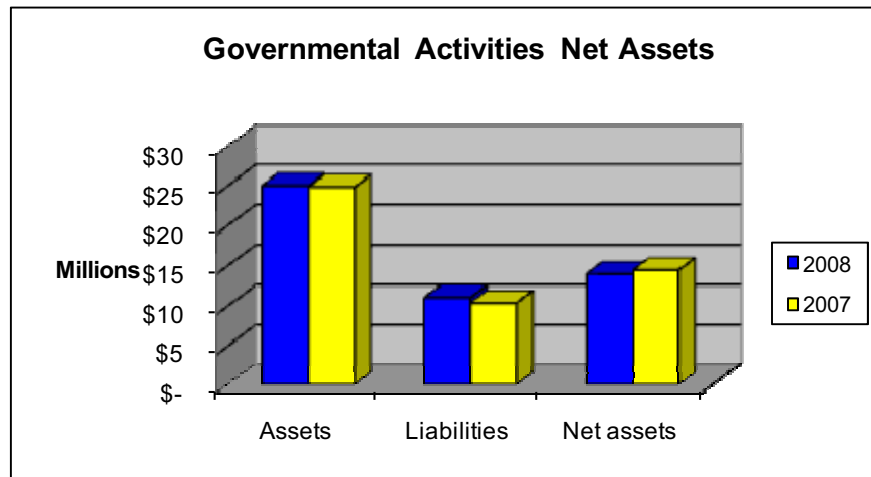
CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
*Unaudited*

**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 2008 compared to 2007:

**Table 1**  
Total Net Assets

	2008	Restated 2007
<b>Assets</b>		
Current and other assets	\$ 4,795,695	\$ 4,053,825
Total capital assets, net	20,224,742	20,792,564
<b>Total assets</b>	<b>25,020,437</b>	<b>24,846,389</b>
<b>Liabilities</b>		
Current liabilities	4,877,367	4,129,533
Long term liabilities		
Due within one year	277,224	336,732
Due in more than one year	5,891,501	5,916,271
<b>Total liabilities</b>	<b>11,046,092</b>	<b>10,382,536</b>
<b>Net assets</b>		
Invested in capital assets, net of related debt	15,056,639	15,513,654
Restricted	701,190	638,194
Unrestricted (deficit)	(1,783,484)	(1,687,995)
<b>Total net assets</b>	<b>\$ 13,974,345</b>	<b>\$ 14,463,853</b>



CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

*Unaudited*

**Governmental Activities**

Total assets increased by \$ 174,048. This is the result primarily of increases of \$ 599,554 in equity in pooled cash and \$ 156,905 in taxes receivable. These increases were offset by a decrease in capital assets of \$ 567,822. The decrease in capital assets is primarily the result of depreciation expense.

Total liabilities increased by \$ 663,556. The increase can be attributed to increases in accrued wages and benefits of \$ 369,187, unearned revenue of \$ 337,989, and due to other governments of \$ 44,414. Long term liabilities decreased by \$ 84,278. The remainder of the net decrease is attributed to accounts and contracts payable and accrued interest payable a decrease of \$ 3,756.

By comparing assets and liabilities, one can see the overall position of the School District has declined as evidenced by the decrease in net assets of \$ 489,508.

The vast majority of revenue supporting all Governmental Activities is General revenue. General revenues totaled \$ 9,758,905 or 63.7 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 \$ 5,556,513 or 36.3 percent of total revenue.

Table 2 summarizes the revenues, expenses and the changes in net assets for fiscal year 2008 compared to 2007.

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
*Unaudited*

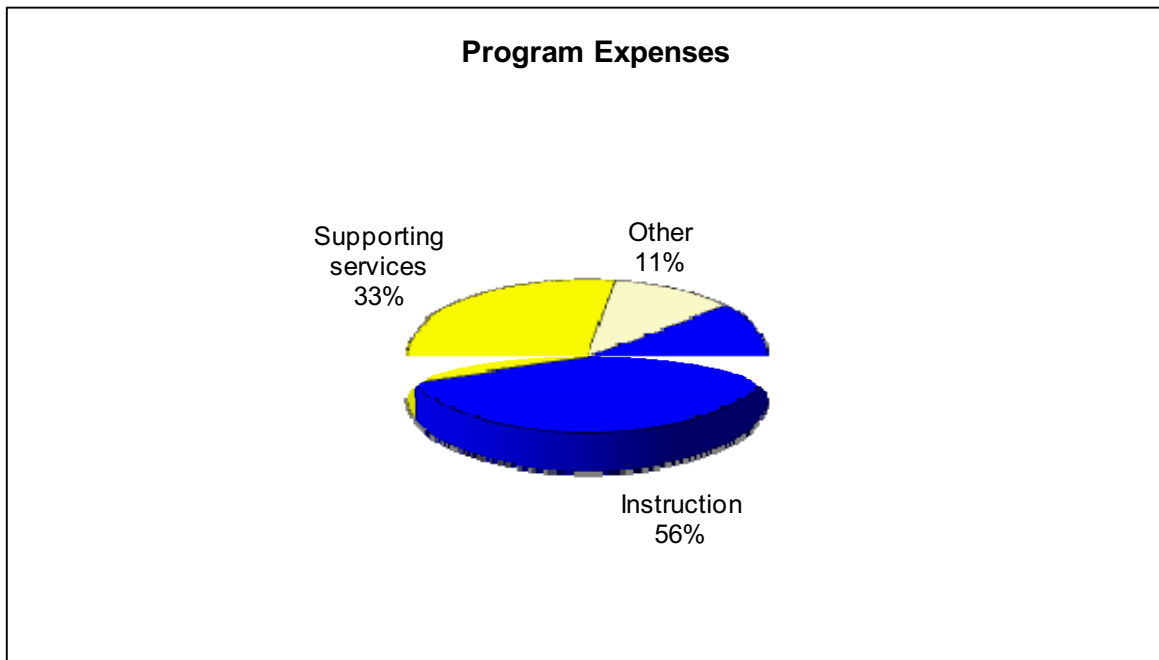
**Table 2**  
Governmental Activities

	2008	Restated 2007
Revenues		
Program revenues		
Charges for services	\$ 3,302,018	\$ 2,611,366
Operating grants and contributions	2,254,495	2,266,413
Total program revenues	<u>5,556,513</u>	<u>4,877,779</u>
General revenues		
Property taxes	2,617,611	2,546,644
Grants and entitlements not restricted to specific purposes	7,033,287	6,607,522
Investment earnings	49,145	48,394
Miscellaneous	58,862	165,116
Total general revenues	<u>9,758,905</u>	<u>9,367,676</u>
Total revenues	<u>15,315,418</u>	<u>14,245,455</u>
Program expenses		
Instruction	8,858,330	6,940,824
Supporting services		
Pupil and instructional staff	1,440,254	1,320,131
Board of education, administration, fiscal and business	1,672,592	1,674,294
Operation and maintenance	1,556,228	1,079,692
Pupil transportation	405,983	344,918
Central services	71,383	59,001
Operation of non-instructional services		
Food service operation	906,155	688,833
Community services	174,187	87,166
Other operations	39,514	25,070
Extracurricular activities	370,358	342,042
Interest	309,942	321,853
Total expenses	<u>15,804,926</u>	<u>12,883,824</u>
Change in net assets	(489,508)	1,361,631
Net assets at beginning of year	14,463,853	13,102,222
Net assets, end of year	<u>\$ 13,974,345</u>	<u>\$ 14,463,853</u>

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
*Unaudited*

The School District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In June of 2008, 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 56 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 33 percent. The remaining program expenses of 11 percent are budgeted to facilitate other obligations of the School District, such as the food service program, numerous extracurricular activities and debt service.



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

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

*Unaudited*

**Table 3**  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$ 8,858,330	\$ 6,940,824	\$ (4,658,093)	\$ (3,350,130)
Supporting services				
Pupil and instructional staff	1,440,254	1,320,131	(1,174,103)	(1,129,614)
Board of education, administration, fiscal and business	1,672,592	1,674,294	(1,672,592)	(1,591,465)
Operation and maintenance	1,556,228	1,079,692	(1,556,228)	(1,064,292)
Pupil transportation	405,983	344,918	(405,983)	(344,918)
Central services	71,383	59,001	(65,624)	(53,513)
Operation of non-instructional services				
Food service operation	906,155	688,833	(62,045)	57,873
Community services	174,187	87,166	(61,789)	68,872
Other operations	39,514	25,070	(21,151)	(1,878)
Extracurricular activities	370,358	342,042	(260,863)	(275,127)
Interest	309,942	321,853	(309,942)	(321,853)
Total expenses	<u>\$ 15,804,926</u>	<u>\$ 12,883,824</u>	<u>\$(10,248,413)</u>	<u>\$ (8,006,045)</u>

Program revenues fund 35 percent of all governmental expenses. Grants and entitlements not restricted to specific programs support 44 percent. Approximately 17 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 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 15,366,592 and expenditures of \$ 14,892,621, exclusive of other financing sources and uses. The net changes in fund balances for the year were as follows: General Fund \$ 389,580, Debt Service Fund \$ 1,435 and Other Governmental Funds \$ 273,247.

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

*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 2008, the School District amended its general fund budget numerous times, none significantly. Fluctuations among the budget basis expenditures categories are due to the School District's site-based style of budgeting that is designed to tightly control expenditures but provide flexibility for managers to redirect funds as conditions develop during the year.

Revenue received by the General Fund was more than final budgetary projections by \$ 88,300. Actual expenditures for the year were \$ 376,707 under final General Fund budget projections.

**Capital Assets and Debt Administration**

Capital Assets

All capital assets, except land, are reported net of depreciation. At the end of fiscal 2008, the School District had \$ 20,224,742 invested in land, buildings, equipment and vehicles. Table 4 shows fiscal 2008 values compared to 2007.

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

	2008	Restated 2007
Land	\$ 47,080	\$ 47,080
Building and improvements	19,488,321	20,075,126
Furniture and equipment	422,759	455,494
Vehicles	266,582	214,864
	\$ 20,224,742	\$ 20,792,564

During fiscal 2008, the capital assets had a net decrease of \$ 567,822 primarily due to depreciation expense.

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
*Unaudited*

**Debt**

At June 30, 2008 the School District had \$ 4,925,000 in outstanding bonds. Proceeds from the bonds were used to renovate the District Buildings. The bonds are to be repaid in annual principal payments of interest and principal through 2024.

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

**School District Outlook**

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

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

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

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

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

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

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

This report is designed to provide our citizens, taxpayers and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact John W. Scott, RSBFO, and Treasurer at Clearview Local District, 4700 Broadway Ave. Lorain, Ohio 44052

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CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities
<b>Assets</b>	
Equity in pooled cash	\$ 1,260,175
Accounts receivable	6,514
Due from other governments	215,623
Taxes receivable	3,313,383
Capital assets	
Nondepreciable capital assets	47,080
Depreciable capital assets	20,177,662
<b>Total assets</b>	<b>25,020,437</b>
 <b>Liabilities</b>	
Accounts and contracts payable	45,983
Accrued salaries, wages and benefits	1,448,495
Accrued interest payable	22,659
Due to other governments	390,495
Unearned revenue	2,969,735
Long term liabilities	
Due within one year	277,224
Due in more than one year	5,891,501
<b>Total liabilities</b>	<b>11,046,092</b>
 <b>Net assets</b>	
Invested in capital assets, net of related debt	15,056,639
Restricted for:	
Debt service	295,888
Capital projects	214,066
School supplies	38,607
Extracurricular	28,361
State grants	11,045
Federal grants	1,555
Donations	6,250
Other purposes	105,418
Unrestricted (deficit)	(1,783,484)
<b>Total net assets</b>	<b>\$ 13,974,345</b>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants Interest and Contributions	Revenue and Changes in Net Assets
Governmental activities				
Instruction				
Regular	\$ 7,362,611	\$ 2,859,504	\$ 770,038	\$ (3,733,069)
Special	1,332,627	-	570,695	(761,932)
Vocational	163,092	-	-	(163,092)
Supporting services				
Pupil	825,530	111,110	89,037	(625,383)
Instructional staff	614,724	-	66,004	(548,720)
Board of education	50,446	-	-	(50,446)
Administration	1,051,290	-	-	(1,051,290)
Fiscal services	415,696	-	-	(415,696)
Business	155,160	-	-	(155,160)
Operation and maintenance	1,556,228	-	-	(1,556,228)
Pupil transportation	405,983	-	-	(405,983)
Central services	71,383	-	5,759	(65,624)
Operation of non-instructional services				
Food service operation	906,155	203,546	640,564	(62,045)
Community services	174,187	-	112,398	(61,789)
Other operations	39,514	18,363	-	(21,151)
Extracurricular activities	370,358	109,495	-	(260,863)
Interest	309,942	-	-	(309,942)
Totals	<u>\$ 15,804,926</u>	<u>\$ 3,302,018</u>	<u>\$ 2,254,495</u>	<u>(10,248,413)</u>

General revenues

Property taxes levied for:

General purpose	2,218,190
Debt service	366,009
Capital improvements	33,412
Grants and entitlements not restricted to specific purposes:	7,033,287
Investment earnings	49,145
Miscellaneous	58,862
Total general revenues	<u>9,758,905</u>

Change in net assets

Net assets at beginning of year, restated	14,463,853
Net assets at end of year	<u>\$ 13,974,345</u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT

BALANCE SHEET -  
GOVERNMENTAL FUNDS

JUNE 30, 2008

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in pooled cash	\$ 311,934	\$ 221,974	\$ 558,887	\$ 1,092,795
Restricted cash	167,380	-	-	167,380
Receivables, net of allowance				
Taxes, current	2,629,411	398,187	36,385	3,063,983
Taxes, delinquent	213,500	33,000	2,900	249,400
Accounts and other	6,380	-	134	6,514
Due from other governments	197,097	11,072	7,454	215,623
<b>Total assets and other debits</b>	<b>\$ 3,525,702</b>	<b>\$ 664,233</b>	<b>\$ 605,760</b>	<b>\$ 4,795,695</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 39,793	\$ -	\$ 6,190	\$ 45,983
Accrued salaries, wages and benefits	1,283,513	-	164,982	1,448,495
Due to other governments	331,350	-	59,145	390,495
Unearned revenue	2,774,453	401,345	43,337	3,219,135
Accrued leave benefits	73,849	-	-	73,849
<b>Total liabilities</b>	<b>4,502,958</b>	<b>401,345</b>	<b>273,654</b>	<b>5,177,957</b>
<b>Fund balances</b>				
Reserved for textbooks	75,676	-	-	75,676
Reserved for capital maintenance	91,704	-	-	91,704
Reserved for property taxes	262,585	40,914	3,402	306,901
Reserved for encumbrances	64,133	-	142,120	206,253
Unreserved, reported in				
General Fund	(1,471,354)	-	-	(1,471,354)
Special Revenue Funds	-	-	(27,482)	(27,482)
Debt Service Fund	-	221,974	-	221,974
Capital Projects Funds	-	-	214,066	214,066
<b>Total fund balances</b>	<b>(977,256)</b>	<b>262,888</b>	<b>332,106</b>	<b>(382,262)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,525,702</b>	<b>\$ 664,233</b>	<b>\$ 605,760</b>	<b>\$ 4,795,695</b>

See accompanying notes to the basic financial statements.

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

JUNE 30, 2008

Total governmental funds balances	\$ (382,262)
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.	20,224,742
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.	249,400
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(926,773)
Accrued interest	(22,659)
Bonds payable	(4,925,000)
Capital leases payable	(243,103)
	<hr/>
Net assets of governmental activities	<u>\$ 13,974,345</u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,219,590	\$ 372,909	\$ 34,112	\$ 2,626,611
Tuition and fees	2,859,504	-	16,957	2,876,461
Interest	45,803	-	3,342	49,145
Intergovernmental	7,566,010	46,133	1,675,639	9,287,782
Extracurricular	-	-	211,058	211,058
Charges for services	-	-	180,472	180,472
Other	80,702	-	54,361	135,063
<b>Total revenues</b>	<b>12,771,609</b>	<b>419,042</b>	<b>2,175,941</b>	<b>15,366,592</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular	6,565,083	-	227,562	6,792,645
Special	625,925	-	568,485	1,194,410
Vocational	147,107	-	107	147,214
<b>Supporting services</b>				
Pupil	566,947	-	206,823	773,770
Instructional staff	446,421	-	91,934	538,355
Board of education	50,014	-	-	50,014
Administration	978,848	-	4,422	983,270
Fiscal services	333,546	7,557	57,152	398,255
Business	240,025	-	25,823	265,848
Operation and maintenance	1,447,004	-	6,084	1,453,088
Pupil transportation	317,642	-	111	317,753
Central services	62,454	-	5,759	68,213
<b>Operation of non-instructional services</b>				
Food service operation	-	-	852,886	852,886
Community services	464	-	143,139	143,603
Enterprise operations	-	-	39,514	39,514
Extracurricular activities	266,323	-	86,521	352,844
<b>Debt service</b>				
Principal	75,474	135,000	-	210,474
Interest	12,862	297,603	-	310,465
<b>Total expenditures</b>	<b>12,136,139</b>	<b>440,160</b>	<b>2,316,322</b>	<b>14,892,621</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>635,470</b>	<b>(21,118)</b>	<b>(140,381)</b>	<b>473,971</b>
<b>Other financing sources (uses)</b>				
Transfers-in	-	22,553	323,004	345,557
Proceeds from capital lease	99,667	-	-	99,667
Gain on asset disposal	-	-	90,624	90,624
Transfers-out	(345,557)	-	-	(345,557)
<b>Total other financing sources (uses)</b>	<b>(245,890)</b>	<b>22,553</b>	<b>413,628</b>	<b>190,291</b>
<b>Net change in fund balances</b>	<b>389,580</b>	<b>1,435</b>	<b>273,247</b>	<b>664,262</b>
<b>Fund balances, beginning of year</b>	<b>(1,366,836)</b>	<b>261,453</b>	<b>58,859</b>	<b>(1,046,524)</b>
<b>Fund balances, end of year</b>	<b>\$ (977,256)</b>	<b>\$ 262,888</b>	<b>\$ 332,106</b>	<b>\$ (382,262)</b>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ 664,262

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

	Capital outlay, net	54,457		
	Depreciation expense	<u>(622,279)</u>		(567,822)

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

	Property taxes			(9,000)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

110,807

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

	Accrued interest	523		
	Compensated absences	<u>(94,514)</u>		(93,991)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(593,764)

Change in net assets of governmental activities

\$ (489,508)

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 2,706,287	\$ 2,706,287	\$ 2,298,411	\$ (407,876)
Tuition and fees	2,686,893	2,953,219	2,859,504	(93,715)
Interest	43,038	47,304	45,803	(1,501)
Intergovernmental	6,968,884	6,968,884	7,563,040	594,156
Other	79,251	87,106	84,342	(2,764)
<b>Total revenues</b>	<b>12,484,353</b>	<b>12,762,800</b>	<b>12,851,100</b>	<b>88,300</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular	6,615,679	6,781,060	6,576,228	204,832
Special	642,310	658,365	638,419	19,946
Vocational	158,696	162,663	157,735	4,928
<b>Supporting services</b>				
Pupil	602,139	617,190	598,492	18,698
Instructional staff	438,479	449,439	435,823	13,616
Board of education	50,213	51,468	49,909	1,559
Administration	978,924	1,003,392	972,994	30,398
Fiscal services	334,661	343,026	332,634	10,392
Business	187,415	192,100	186,280	5,820
Operation and maintenance	1,436,437	1,472,341	1,427,736	44,605
Pupil transportation	379,876	389,371	377,575	11,796
Central services	58,375	59,834	58,021	1,813
Extracurricular activities	267,424	274,108	265,804	8,304
<b>Total expenditures</b>	<b>12,150,628</b>	<b>12,454,357</b>	<b>12,077,650</b>	<b>376,707</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>333,725</b>	<b>308,443</b>	<b>773,450</b>	<b>465,007</b>
<b>Other financing sources (uses)</b>				
Advances-in	-	-	4,248	4,248
Note proceeds	469,818	516,387	500,000	(16,387)
Transfers-out	(850,710)	(871,974)	(845,557)	26,417
Advances-out	(936)	(959)	(930)	29
<b>Total other financing sources (uses)</b>	<b>(381,828)</b>	<b>(356,546)</b>	<b>(342,239)</b>	<b>14,307</b>
<b>Net change in fund balances</b>	<b>(48,103)</b>	<b>(48,103)</b>	<b>431,211</b>	<b>479,314</b>
Fund balances, beginning of year	44,480	44,480	44,480	-
Prior year encumbrances	3,623	3,623	3,623	-
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 479,314</b>	<b>\$ 479,314</b>

See accompanying notes to the basic 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, 2008

	Self Insurance
Operating expenses	
Purchased services	\$ 593,764
Total operating expenses	593,764
 Operating loss	 (593,764)
 Net assets, beginning of year	 <u>593,764</u>
 Net assets, end of year	 <u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.



CLEARVIEW LOCAL SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS-  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2008

	Self Insurance
Cash flows from operating activities	
Cash received from interfund services	\$ 341,860
Cash payments for goods and services	(593,764)
Net cash used for operating activities	(251,904)
 Net change in cash and cash equivalents	 (251,904)
 Cash and cash equivalents, beginning of year	 251,904
 Cash and cash equivalents, end of year	 \$ -
 Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (593,764)
Adjustments	
Decrease in due from other funds	341,860
Total adjustments	341,860
 Net cash used for operating activities	 \$ (251,904)

See accompanying notes to the basic financial statements.

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

JUNE 30, 2008

	<u>Agency Funds</u>
Assets	
Equity in pooled cash	\$ 45,882
Total assets	<u>\$ 45,882</u>
Liabilities	
Due to students	\$ 29,138
Due to others	16,744
Total liabilities	<u>\$ 45,882</u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

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 local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2008 was 1,668. The District employs 110 certificated and 79 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 20 to these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

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, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

Governmental Funds

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

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

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

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

Proprietary Fund

The proprietary fund focuses on the determination of the changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has no enterprise funds. The District's self insurance fund is classified as an internal service fund. The self insurance program was discontinued July 1, 2007.

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 fund statements.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

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, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Unearned Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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 statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflects the amounts in the final amended certificate that were in effect at the time the final appropriations were passed by the Board of Education.

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2008

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, 2008 totaled \$ 49,145.

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, 2008. Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

G. RESTRICTED ASSETS

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

H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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



CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

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. As of June 30, 2008, net assets restricted by enabling legislation were \$ 392,459 in the statement of net assets.

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2008

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 textbooks, capital maintenance, property taxes and encumbrances.

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

N. OPERATING REVENUES AND EXPENSES

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

O. INTERFUND TRANSACTIONS

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

P. ESTIMATES

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

NOTE 3 – DEFICIT FUND EQUITY

At June 30, 2008, the following funds had deficit fund balances:

General Fund	\$ (977,256)
Non-major Funds	
Food Service	\$ (70,538)
Miscellaneous State Grants	(114)
Title 1	(3,189)
	\$ (73,841)

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 4 - CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

A. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension". GASB 45 establishes standards for disclosure of information on postemployment benefits other than pension. This statement applies to all state and local governments. The District has determined that the adoption of this statement did not have an impact on the District's financial statements; however, note disclosures related to post-employment benefits have been modified.

GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged and sold. The implementation of this Statement did not affect the presentation of the financial statements of the District.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements.

B. PRIOR PERIOD ADJUSTMENT

Beginning net assets of governmental activities has been restated to correct for capital assets in use that previously had been reported as being fully depreciated. This restatement has had the following effect on beginning net assets:

	Total Governmental Activities
Net assets, as previously reported	\$ 14,416,254
Adjustment	47,599
Restated net assets, at June 30, 2007	\$ 14,463,853

CLEARVIEW LOCAL SCHOOL DISTRICT  
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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	\$ 431,211
Adjustments, increase (decrease)	
Revenue accruals	(484,072)
Expenditure accruals	361,849
Encumbrances	80,592
GAAP basis, as reported	\$ 389,580

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education), and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2008

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the District had \$ 3,000 in cash on hand which is included on the balance sheet of the District as part of "Equity in pooled cash".

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District's deposits was \$ 1,298,398 and the bank balance was \$ 1,397,284. Of the bank balance, \$ 322,678 was covered by federal depository insurance and \$ 1,074,606 was uninsured. Of the remaining balance, \$ 1,074,606 was collateralized with securities held by the pledging institution's trust department not in the District's name. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2008, the District had the following investments:

	Maturities	Fair Value
Investment in STAROhio	n/a	\$ 4,659

D. INTEREST RATE RISK

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

E. CREDIT RISK

The District follows the Ohio Revised Code that limits its investment choices. As of June 30, 2008, the District's investments in Money Market Funds and StarOhio were rated AAA and AAAM, respectively, by Standard & Poor's.

F. CONCENTRATION OF CREDIT RISK

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

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 2008 represent the collection of calendar year 2007 taxes. Real property taxes for 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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 2008 were levied after April 1, 2007, on the assessed values as of December 31, 2006, 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 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes for 2008 were levied after April 1, 2007, on the value as of December 31, 2007. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory is 6.5 percent for 2008. This will be reduced to zero for 2009. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2008 are available to finance fiscal year 2008 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, 2008 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 2008 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 was recognized as revenue.

The amount available as an advance at June 30, 2008, was \$ 262,585 in the General Fund, \$ 3,402 in the Classroom Facilities Fund, and \$ 40,914 in the Debt Service Fund. The amount available as an advance at June 30, 2007, was \$ 341,406 in the General Fund, \$ 6,454 in the Classroom Facilities Fund, and \$ 71,762 in the Debt Service Fund

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	%	Amount	%
Agricultural Residential				
Real Estate	\$ 63,467,280	65.55 %	\$ 63,927,110	67.76 %
Other Commercial	26,295,400	27.16	25,875,380	27.43
Tangible Personal Property	7,059,269	7.29	4,539,226	4.81
	\$ 96,821,949	100.00 %	\$ 94,341,716	100.00 %
 Tax Rate per \$ 1,000 of Assessed Valuation:	 46.09		 54.74	

NOTE 8 – RECEIVABLES

Receivables at June 30, 2008, consisted of accounts receivable, 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  
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NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

Governmental Activities	Restated Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008
<b>Nondepreciable capital assets</b>				
Land	\$ 47,080	\$ -	\$ -	\$ 47,080
Total nondepreciable capital assets	<u>47,080</u>	<u>-</u>	<u>-</u>	<u>47,080</u>
<b>Depreciable capital assets</b>				
Buildings and improvements	22,155,596	57,552	(161,592)	22,051,556
Furniture and equipment	744,559	30,036	-	774,595
Vehicles	418,874	99,667	-	518,541
Total capital assets being depreciated	<u>23,319,029</u>	<u>187,255</u>	<u>(161,592)</u>	<u>23,344,692</u>
<b>Less accumulated depreciation</b>				
Buildings and improvements	2,080,470	511,559	(28,794)	2,563,235
Furniture and equipment	289,065	62,771	-	351,836
Vehicles	204,010	47,949	-	251,959
Total accumulated depreciation	<u>2,573,545</u>	<u>622,279</u>	<u>(28,794)</u>	<u>3,167,030</u>
Depreciable capital assets, net of accumulated depreciation	<u>20,745,484</u>	<u>(435,024)</u>	<u>(132,798)</u>	<u>20,177,662</u>
Governmental activities capital assets, net	<u>\$ 20,792,564</u>	<u>\$ (435,024)</u>	<u>\$ (132,798)</u>	<u>\$ 20,224,742</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 266,478
Special	57,084
Vocational	5,800
Supporting services	
Pupil	17,664
Instructional staff	43,671
Board of education	432
Administration	36,471
Fiscal	13,153
Business	528
Operation and maintenance of plant	47,873
Pupil transportation	97,539
Central services	1,909
Operation of non-instructional services	
Food service	14,330
Community services	1,833
Extracurricular activities	17,514
Total depreciation expense	<u>\$ 622,279</u>

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2008

NOTE 10 - INTERFUND ACTIVITY

During the year ended June 30, 2008, transfers were made to provide for the payment of expenditures in nonmajor governmental funds and for the payment of debt principal in the Debt Service Fund.

	Transfer from General Fund
Transfer to:	
Debt Service Fund	\$ 22,553
Nonmajor Governmental Funds	322,504
	\$ 345,057

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 District provides medical and life insurance to employees through commercial insurance coverage. The treasurer is covered with a surety bond for \$ 50,000. Remaining employees who handle money are covered by a commercial coverage crime policy in the amount of \$ 50,000. This coverage is provided by the Westfield Insurance Company. 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, 2008

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$ 151,907 and \$ 174,417, and \$ 202,176 respectively; 44.8 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. STATE TEACHERS RETIREMENT SYSTEM

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

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

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 799,493, \$ 763,834 and \$820,794 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$ 34,539.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM (continued)

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 69,320, \$ 61,900, and \$ 65,545 respectively; 44.8 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 11,277, \$ 11,220, and \$11,100 respectively; 44.8 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. STATE TEACHERS RETIREMENT SYSTEM

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 61,499, \$ 58,756, and \$ 63,138 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 14 – NOTE PAYABLE

Note payable consisted of:

	Outstanding June 30, 2007	Additions	Deductions	Outstanding June 30, 2008
Tax anticipation note, 4.5% Issued 7/3/07, Maturity 6/15/08	\$ -	\$ 500,000	\$ 500,000	\$ -

The note was issued for the purpose of paying current expenses of the District and was repaid from the Debt Service Fund.

NOTE 15 – BONDS PAYABLE

Bonds payable at year end consisted of:

	Outstanding June 30, 2007	Additions	Deductions	Outstanding June 30, 2008
General obligation bonds				
School Improvement, (1999) 6.125% through 2024	\$ 1,270,000	\$ -	\$ 60,000	\$ 1,210,000
Building construction, (2001) 5.280% through 2023	2,010,000	-	75,000	1,935,000
Refunding bonds, (2006) 4.000% through 2024	1,780,000	-	-	1,780,000
	<u>\$ 5,060,000</u>	<u>\$ -</u>	<u>\$ 135,000</u>	<u>\$ 4,925,000</u>

The original amount of bonds issued in 1999 and 2001 were \$ 3,260,000 and \$ 2,410,000, respectively. At June 30, 2008, \$1,780,000 of the 1999 general obligation bonds are considered to be defeased. Principal payments are not due on the refunding bonds until December 2011.

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2008 were as follows:

	Balance June 30, 2007	Increase	Decrease	Balance June 30, 2008	Amounts Due In One Year
Bonds payable	\$ 5,060,000	\$ -	\$ 135,000	\$ 4,925,000	\$ 145,000
Capital leases	218,910	99,667	75,474	243,103	58,375
Compensated absences	974,093	168,363	141,834	1,000,622	73,849
	<u>\$ 6,253,003</u>	<u>\$ 268,030</u>	<u>\$ 352,308</u>	<u>\$ 6,168,725</u>	<u>\$ 277,224</u>

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire bonds payable outstanding at June 30, 2008, were as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 145,000	\$ 268,462	\$ 413,462
2010	155,000	261,223	416,223
2011	175,000	253,028	428,028
2012	190,000	244,485	434,485
2013	210,000	235,147	445,147
2014 - 2018	1,325,000	989,628	2,314,628
2019 - 2023	1,935,000	514,662	2,449,662
2024- 2025	790,000	42,678	832,678
	<u>\$ 4,925,000</u>	<u>\$ 2,809,313</u>	<u>\$ 7,734,313</u>

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

NOTE 17 – CAPITAL LEASE

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

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

	Cost	Accumulated Depreciation	Net
Equipment	\$ 206,177	\$ 61,853	\$ 144,324
Vehicles	213,657	67,299	146,358
	<u>\$ 419,834</u>	<u>\$ 129,152</u>	<u>\$ 290,682</u>

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, 2008.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, are as follows:

	Year ending June 30,	Amount
	2009	\$ 69,526
	2010	69,526
	2011	69,526
	2012	58,764
	2013	6,214
Total minimum lease payments		273,556
Less amount representing interest		30,453
Net present value of minimum lease payments		<u>\$ 243,103</u>

CLEARVIEW LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2008

NOTE 18 - SET-ASIDES

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital maintenance during fiscal year 2008.

	Textbook	Capital Maintenance
Balance, July 1, 2007	\$ 102,725	\$ -
Required set aside	264,074	264,074
Qualifying expenditures	(291,123)	(172,370)
Balance June 30, 2008	\$ 75,676	\$ 91,704

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

The July 1, 2007 balance presented above has been changed from the amount presented on the June 30, 2007 financial statements. The balance has been corrected to properly reflect offsetting credits that had been omitted from prior years' computations.

NOTE 19 - CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION

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

LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2008, the District paid \$ 226,971 to LEECA.



CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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, 2008 the District paid \$ 97,985 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.

D. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among 109 school districts. The Council was formed to offer supplies and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee for the services provided. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During the year ended June 30, 2008, the District paid \$ 12,452 to the Ohio Schools Council.

The District participates in the Council's electric purchase program and the natural gas program.

CLEARVIEW LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

NOTE 20 - JOINTLY GOVERNED ORGANIZATION (continued)

D. OHIO SCHOOLS COUNCIL (continued)

Electricity Program

In 2005, Energy Acquisition Corporation II, a non-profit corporation with a self-appointing board, issued \$ 246,355,000,000 in bonds and on the same date an electricity prepayment of \$ 241,685,363 covering the period May 2005 through December 2008 was made by Energy Acquisition Corporation II on behalf of 249 Ohio school districts and county boards of mental retardation and developmental disabilities (MR/DD) to the supplier, First Energy, Inc. This created a program for the Ohio Schools Council called Energy for Education II. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates if the school district committed to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006 and ending December 31, 2008. Each month, the Council invoices participants based on estimated usage that was determined when the program was established. Each September, these estimated payments are compared to their actual usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced. A trustee uses the payments to make principal and interest payments on the bonds. If a participating school district terminates its agreement, the district is required to repay the savings to First Energy and First Energy will refund the remaining prepayment for that participant to Energy Acquisition Corporation II to be used to redeem a portion of the outstanding bonds.

Prepaid/Natural Gas Program

The Ohio Schools Council entered into a contract with CMS Energy Corporation, of Jackson, Michigan in 1999 to supply natural gas to participating school districts for 12 years. Under the agreement, the City of Hamilton, Ohio prepaid CMS for 44 billion cubic feet of gas to be delivered from November 1, 1999 to October 31, 2011 by issuing \$89,450,000 in bonds. This transaction locked in a twelve-year firm supply of natural gas at favorable market rates for the benefit of all participants. In August 2006 CMS Energy Corporation opted to no longer participate in the prepaid gas program and defeased the outstanding bonds. \$ 58,455,232 was placed on deposit with US Bank a sufficient amount of government securities to pay off all the outstanding bonds as they come due through November 2011. This prepaid gas program was terminated during fiscal year 2007. An interim supply agreement was approved with Exelon Energy for one year beginning August 2006 that was renewed in October 2007 and is effective until August 31, 2008.

The Council provides participating school districts the ability to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. There are currently 137 districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Financial information can be obtained by contacting David P. Cottrell, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

CLEARVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Grantor <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Agriculture</b>					
<i>Passed Through the Ohio Department of Education.</i>					
Child Nutrition Cluster:					
National School Lunch Program	10.555	\$379,375	\$0	\$379,375	\$0
National School Lunch Program - Commodities	10.555	0	38,402	0	38,402
School Breakfast Program	10.553	234,827	0	234,827	0
Summer Food Service Program	10.559	442	0	442	0
Total Child Nutrition Cluster		614,644	38,402	614,644	38,402
Fresh Fruit and Vegetable Program	10.582	30,602	0	30,602	0
Team Nutrition Grants	10.574	300	0	300	0
<b>Total U.S. Department of Agriculture</b>		<b>645,546</b>	<b>38,402</b>	<b>645,546</b>	<b>38,402</b>
<b>U.S. Department of Education</b>					
<i>Passed Through the Ohio Department of Education.</i>					
Special Education Cluster:					
Special Education-Grants to States	84.027	367,592	0	353,273	0
Title 1 Grants to Local Educational Agencies	84.010	343,787	0	345,578	0
Safe and Drug-Free Schools and Communities State Grants	84.186	6,990	0	6,493	0
State Grants for Innovative Programs	84.298	4,409	0	3,744	0
Education Technology State Grants	84.318	3,490	0	4,123	0
Improving Teacher Quality State Grants	84.367	94,138	0	92,374	0
<b>Total U.S. Department of Education</b>		<b>820,406</b>	<b>0</b>	<b>805,585</b>	<b>0</b>
<b>Total Federal Assistance</b>		<b>\$1,465,952</b>	<b>\$38,402</b>	<b>\$1,451,131</b>	<b>\$38,402</b>

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

**CLEARVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

CFDA – Catalog of Federal Domestic Assistance.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clearview Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2008-001 is also a material weakness.

We noted certain matters that we reported to the District's management in a separate letter dated March 12, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 12, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

March 12, 2009



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Clearview Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Clearview Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more than inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 12, 2009



CLEARVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I – CFDA 84.010 Special Education Grants to States – CFDA 84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2008-001

**Material Noncompliance – Material Weakness**

**Expenditures in Excess of Appropriation Authority**

**Ohio Rev. Code Section 5705.41(B)** prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

On June 30, 2008, the following funds had expenditures plus encumbrances exceeding authorized appropriations at the legal level of control:

**CLEARVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008  
(CONTINUED)**

**FINDING NUMBER 2008-001  
(CONTINUED)**

Fund	Appropriations Plus Prior Year Carryover Encumbrances	Expenditures Plus Encumbrances	Variance
Data Communications for School Buildings Fund	\$0	\$9,000	(\$9,000)
Miscellaneous State Grants Fund	38,846	50,493	(11,647)
Title I Fund	193,514	403,716	(210,202)
Title V Fund	2,998	4,950	(1,952)
Drug Free Schools Fund	4,508	7,053	(2,545)

We also noted certain special revenue funds had negative appropriations as of June 30, 2008. This was due to the District not properly posting the permanent appropriations to the District's ledgers or to the budgetary worksheets from which budgetary decisions are made. The District's reliance on the permanent appropriation budget postings led to subsequent decreased appropriations being approved by the Board in amounts that were greater than the permanent appropriations. While permanent appropriations were posted correctly *in total* to the special revenue funds in the District's ledgers, they were not posted to the specific special revenue funds in the amounts that were approved by the Board.

The following special revenue funds had negative appropriations at June 30, 2008: Fund 432 (EMIS), Fund 452 (SchoolNet), Fund 459 (Ohio Reads), and Fund 599 (Miscellaneous Federal Grants). The amounts by which expenditures plus encumbrances exceeded appropriations in these funds at June 30, 2008 were \$11,759; \$3,000; \$25,000; and \$6,291, respectively. None of these instances resulted in negative fund balances at year-end.

Monitoring appropriations is vital for maintaining sound budgetary practices. By not monitoring appropriations, expenditures plus encumbrances could result in funds exceeding the total available fund balance. The District must also ensure that appropriations as approved by the Board are accurately posted to the District's ledgers and to any budgetary spreadsheets that are used for monitoring purposes. Management and the Board rely on the District's monthly financial reports when making budget and purchasing decisions, and therefore, should have the most timely and accurate information. If appropriations are not posted accurately, there is an increased risk that budgetary violations could occur.

We recommend the District ensure all budget amendments are posted with accuracy to the District's ledgers and to any budgetary spreadsheets used for monitoring purposes. We also recommend the District verify all expenditures and encumbrances have proper appropriation authority prior to expending funds or certifying encumbrances and compare appropriations to expenditures plus encumbrances in all funds which are legally required to be budgeted to main compliance with the above requirement.

**Official's Response:**

The District declined to respond to this finding.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None

**CLEARVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	The District did not establish textbook and instructional materials or capital and maintenance reserves in their financial statements as required by Ohio Rev. Code Sections 3315.17(A) and 3315.18(A).	Yes	N/A
2007-002	The District had a negative cash balance in the Pre-school/Latchkey fund at June 30, 2007 contrary to Ohio Rev. Code Section 5705.10(H).	No	Repeated as a management letter comment.
2007-003	The District had appropriations in excess of estimated resources in several funds contrary to Ohio Rev. Code Section 5705.39.	No	Repeated as a management letter comment.





**Mary Taylor, CPA**  
Auditor of State

**CLEARVIEW LOCAL SCHOOL DISTRICT**  
**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**MAY 14, 2009**