



Dave Yost • Auditor of State

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clearview Local School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2011, 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, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances due to a change in fund structure.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

January 13, 2012

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED

The management discussion and analysis of the Clearview Local School District's, the "School District", financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this management discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the basic financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2011 are as follows:

In total, net assets decreased by \$ 249,657.

Revenues for governmental activities totaled \$ 16,595,220 in 2011. Of this total, 65.19 percent consisted of General revenues while Program revenues accounted for the remaining balance of 34.81 percent.

Program expenses totaled \$ 16,844,877. Instructional expenses made up 56.64 percent of this total while support services accounted for 33.47 percent. Other expenses rounded out the remaining 9.89 percent.

Using this Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all the current year's revenues and expenses regardless of when cash is received or paid.

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

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

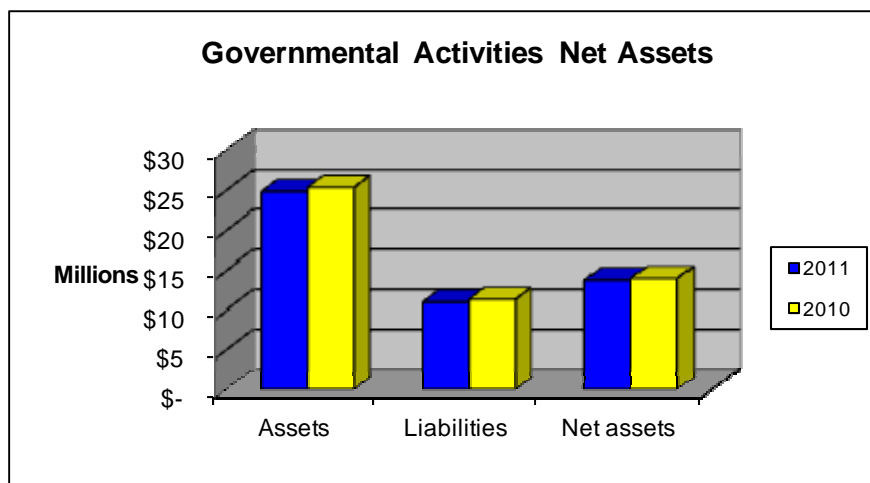
CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED

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 2011 compared to 2010:

Table 1
Total Net Assets

	2011	2010
Assets		
Current and other assets	\$ 6,451,773	\$ 6,421,056
Total capital assets, net	18,383,264	18,966,589
Total assets	24,835,037	25,387,645
Liabilities		
Current liabilities	5,229,841	5,279,793
Long term liabilities		
Due within one year	424,853	410,241
Due in more than one year	5,338,833	5,658,649
Total liabilities	10,993,527	11,348,683
Net assets		
Invested in capital assets, net of related debt	13,835,277	14,171,020
Restricted	753,727	1,018,533
Unrestricted (deficit)	(799,699)	(1,150,591)
Total net assets	\$ 13,789,305	\$ 14,038,962



CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED

Governmental Activities

Total assets decreased by \$ 552,608. This is primarily the result of decreases of \$ 492,652 in equity in pooled cash, \$ 106,683 in due from other governments and \$ 583,325 in capital assets. These decreases were offset by an increase in taxes receivable of \$ 627,832. The decrease in capital assets is primarily the result of depreciation expense.

Total liabilities decreased by \$ 355,156. The decrease can primarily be attributed to decreases in long-term liabilities of \$ 305,204 and in accounts payable of \$ 103,116. These decreases were offset by an increase in accrued salaries, wages and benefits of \$ 94,522.

By comparing assets and liabilities, one can see the overall position of the School District has deteriorated as evidenced by the decrease in net assets of \$ 249,657.

The vast majority of revenue supporting all Governmental Activities is General revenue. General revenues totaled \$ 10,818,855 or 65.19 percent of the total revenues. The most significant portion of the General revenues is from grants and entitlements. The remaining amount of revenue was in the form of program revenues which equated to \$ 5,776,365 or 34.81 percent of total revenue.

Table 2 summarizes the revenues, expenses and the changes in net assets for fiscal year 2011 compared to 2010.

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED

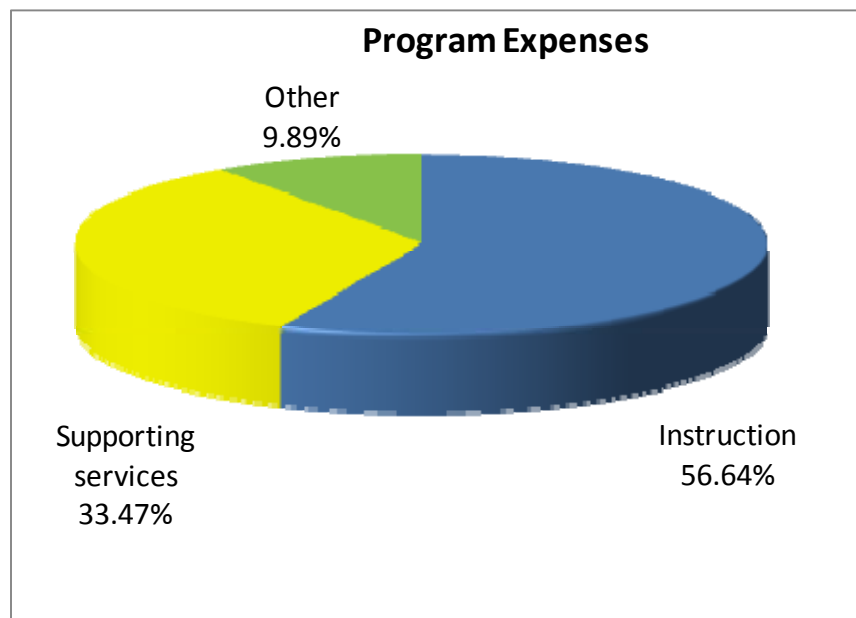
Table 2
Governmental Activities

Revenues	2011	2010
Program revenues		
Charges for services and sales	\$ 3,500,002	\$ 3,440,814
Operating grants, interest and contributions	2,276,363	2,306,780
Total program revenues	<u>5,776,365</u>	<u>5,747,594</u>
General revenues		
Property taxes	3,423,663	2,809,523
Grants and entitlements not restricted to specific purposes	7,318,780	7,818,918
Investment earnings	15,645	17,947
Miscellaneous	60,767	16,533
Total general revenues	<u>10,818,855</u>	<u>10,662,921</u>
Total revenues	<u>16,595,220</u>	<u>16,410,515</u>
Program expenses		
Instruction	9,541,583	9,213,522
Supporting services		
Pupil and instructional staff	1,659,414	1,668,067
Board of education, administration, fiscal and business	1,668,189	2,116,227
Operation and maintenance	1,635,109	1,534,880
Pupil transportation	529,972	461,289
Central services	145,480	89,976
Operation of non-instructional services		
Food service operation	885,326	774,083
Community services	5,660	6,194
Other operations	27,376	12,673
Extracurricular activities	451,347	446,583
Interest	295,421	268,649
Total program expenses	<u>16,844,877</u>	<u>16,592,143</u>
Change in net assets	(249,657)	(181,628)
Net assets, beginning of year	14,038,962	14,220,590
Net assets, end of year	<u>\$ 13,789,305</u>	<u>\$ 14,038,962</u>

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
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The School District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In June of 2011, 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 56.64 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 33.47 percent. The remaining program expenses of 9.89 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, 2011
UNAUDITED

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$ 9,541,583	\$ 9,213,522	\$ (5,155,725)	\$ (4,868,440)
Supporting services				
Pupil and instructional staff	1,659,414	1,668,067	(1,517,790)	(1,439,993)
Board of education, administration, fiscal and business	1,668,189	2,116,227	(1,489,763)	(2,058,739)
Operation and maintenance	1,635,109	1,534,880	(1,634,876)	(1,497,283)
Pupil transportation	529,972	461,289	(517,778)	(387,246)
Central services	145,480	89,976	(139,578)	(65,853)
Operation of non-instructional services				
Food service operation	885,326	774,083	12,373	43,174
Community services	5,660	6,194	(5,660)	3,756
Other operations	27,376	12,673	(4,089)	3,969
Extracurricular activities	451,347	446,583	(320,205)	(309,245)
Interest	295,421	268,649	(295,421)	(268,649)
Total expenses	<u>\$ 16,844,877</u>	<u>\$ 16,592,143</u>	<u>\$(11,068,512)</u>	<u>\$(10,844,549)</u>

Program revenues fund 34.29 percent of all governmental expenses. Grants and entitlements not restricted to specific programs support 43.45 percent. Approximately 20.32 percent of expenses are directly supported by local property taxes.

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

School District Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful for assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2011, the School District's governmental funds reported combined ending fund balances of \$ 221,640 a decrease of \$ 394,395 in comparison with the prior year. Of that amount (\$ 1,023,618) constitutes unassigned fund balances.

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 16.1 million and expenditures of \$ 16.5 million. The net change in fund balance for the year was most significant in the General Fund, which had a decrease of \$ 247,781, as compared to an increase of \$ 114,500 in fiscal year 2010.

Total revenues reported in fiscal year 2011 decreased \$ 317,073 or 1.93 percent from the previous year. This decrease in revenue is primarily due to a decrease in intergovernmental revenue. Total expenditures reported in fiscal year 2011 increased \$ 546,1992 or 3.42 percent from the previous year. The increase is due primarily to negotiated salary increases and rising medical insurance costs.

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
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 2011, the School District amended its General Fund budget numerous times, none significantly. Fluctuations among the budget basis expenditures categories are due to the School District's site-based style of budgeting that is designed to tightly control expenditures but provide flexibility for managers to redirect funds as conditions develop during the year.

Revenue received by the General Fund, including other sources, was less than final budgetary projections by \$ 1,390,658. Actual expenditures for the year, including other uses, were \$ 2,317,526 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 2011, the School District had \$ 18,383,264 invested in land, buildings, equipment and vehicles. Table 4 shows fiscal 2011 values compared to 2010.

Table 4
Capital Assets at June 30,
Governmental Activities

	2011	2010
Land	\$ 47,080	\$ 47,080
Building and improvements	17,859,357	18,361,736
Furniture and equipment	332,912	378,792
Vehicles	143,915	178,981
	\$ 18,383,264	\$ 18,966,589

During fiscal 2011, the capital assets had a net decrease of \$ 583,325 primarily due to depreciation expense.

For more information about the District's capital assets, see Note 9 to the Basic Financial Statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED

Debt

At June 30, 2011 the School District had \$ 4,451,579 in outstanding bonds and \$ 62,155 in outstanding loan payable. The previous proceeds from the bonds were used to renovate the School District Buildings. The bonds are to be repaid in annual principal payments of interest and principal through 2025. The previous loan proceeds were used to renovate the outdoor track. The loan is to be repaid in quarterly payments of interest and principal through 2013.

For more information about the District's debt, see Notes 14 - 17 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, 2011

	Governmental Activities
Assets	
Equity in pooled cash	\$ 1,828,176
Restricted cash	396,438
Accounts receivable	2,220
Due from other governments	229,275
Taxes receivable	3,995,664
Capital assets	
Nondepreciable capital assets	47,080
Depreciable capital assets	18,336,184
Total assets	<u>24,835,037</u>
Liabilities	
Accounts and contracts payable	33,898
Accrued salaries, wages and benefits	1,665,350
Accrued interest payable	20,314
Due to other governments	420,385
Unearned revenue	3,089,894
Long term liabilities	
Due within one year	424,853
Due in more than one year	5,338,833
Total liabilities	<u>10,993,527</u>
Net assets	
Invested in capital assets, net of related debt	13,835,277
Restricted for:	
Debt service	368,180
Capital projects	47,148
Food service	8,152
Extracurricular	33,452
State grants	1,879
Federal grants	125,863
Donations	57,107
Other purposes	111,946
Unrestricted (deficit)	<u>(799,699)</u>
Total net assets	<u>\$ 13,789,305</u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	
Governmental activities				
Instruction				
Regular	\$ 7,749,034	\$ 3,068,736	\$ 627,276	\$ (4,053,022)
Special	1,553,813	-	666,536	(887,277)
Vocational	184,205	-	-	(184,205)
Other instruction	54,531	-	23,310	(31,221)
Supporting services				
Pupil	1,075,173	74,873	42,681	(957,619)
Instructional staff	584,241	17,245	6,825	(560,171)
Board of education	55,219	-	-	(55,219)
Administration	919,916	-	178,426	(741,490)
Fiscal services	404,367	-	-	(404,367)
Business	288,687	-	-	(288,687)
Operation and maintenance	1,635,109	-	233	(1,634,876)
Pupil transportation	529,972	-	12,194	(517,778)
Central services	145,480	-	5,902	(139,578)
Operation of non-instructional services				
Food service operation	885,326	184,719	712,980	12,373
Community services	5,660	-	-	(5,660)
Other operations	27,376	23,287	-	(4,089)
Extracurricular activities	451,347	131,142	-	(320,205)
Interest	295,421	-	-	(295,421)
Totals	\$ 16,844,877	\$ 3,500,002	\$ 2,276,363	(11,068,512)
General revenues				
Property taxes levied for:				
				2,853,553
				467,935
				102,175
				7,318,780
				15,645
				60,767
				10,818,855
Change in net assets				
				(249,657)
				14,038,962
				\$ 13,789,305

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT

BALANCE SHEET -
GOVERNMENTAL FUNDS

JUNE 30, 2011

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 918,903	\$ 264,180	\$ 645,093	\$ 1,828,176
Restricted cash	396,438	-	-	396,438
Receivables, net of allowance				
Taxes, current	2,581,262	426,270	116,232	3,123,764
Taxes, delinquent	720,500	119,000	32,400	871,900
Accounts and other	2,220	-	-	2,220
Due from other governments	207,594	11,072	10,609	229,275
Interfund receivable	18,350	-	-	18,350
Total assets and other debits	\$ 4,845,267	\$ 820,522	\$ 804,334	\$ 6,470,123
Liabilities and fund balances				
Liabilities				
Accounts and contracts payable	\$ 11,326	\$ -	\$ 22,572	\$ 33,898
Accrued salaries, wages and benefits	1,422,848	-	242,502	1,665,350
Due to other governments	400,003	-	20,382	420,385
Interfund payable	-	-	18,350	18,350
Unearned revenue	3,286,552	519,137	156,105	3,961,794
Accrued leave benefits	148,706	-	-	148,706
Total liabilities	5,269,435	519,137	459,911	6,248,483
Fund balances				
Restricted	396,438	301,385	378,428	1,076,251
Assigned	169,007	-	-	169,007
Unassigned (deficit)	(989,613)	-	(34,005)	(1,023,618)
Total fund balances	(424,168)	301,385	344,423	221,640
Total liabilities and fund balances	\$ 4,845,267	\$ 820,522	\$ 804,334	\$ 6,470,123

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, 2011

Total governmental funds balances	\$	221,640
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		18,383,264
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.		871,900
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(1,065,414)
Accrued interest		(20,314)
Bonds payable		(4,451,579)
Unamortized bond premium		(52,205)
Loan payable		(62,155)
Capital leases payable		(35,832)
		(5,087,495)
Net assets of governmental activities	\$	13,789,305

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, 2011

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,461,253	\$ 400,535	\$ 74,375	\$ 2,936,163
Tuition and fees	3,092,023	-	49	3,092,072
Interest	12,566	-	991	13,557
Intergovernmental	7,259,448	57,119	2,278,576	9,595,143
Extracurricular	74,873	-	129,962	204,835
Charges for services	-	-	183,389	183,389
Other	76,838	-	3,635	80,473
Total revenues	12,977,001	457,654	2,670,977	16,105,632
Expenditures				
Current				
Instruction				
Regular	6,737,707	-	614,188	7,351,895
Special	844,781	-	687,897	1,532,678
Vocational	175,793	-	-	175,793
Other instruction	-	-	54,531	54,531
Supporting services				
Pupil	929,999	-	123,243	1,053,242
Instructional staff	508,059	-	24,933	532,992
Board of education	54,335	-	421	54,756
Administration	850,386	-	208,223	1,058,609
Fiscal services	361,403	8,190	23,095	392,688
Business	276,583	-	10,389	286,972
Operation and maintenance	1,451,697	-	98,457	1,550,154
Pupil transportation	474,296	-	11,150	485,446
Central services	134,578	-	6,908	141,486
Operation of non-instructional services				
Food service operation	-	-	867,305	867,305
Community services	-	-	3,654	3,654
Enterprise operations	27,376	-	-	27,376
Extracurricular activities	295,652	-	130,765	426,417
Capital outlay	-	-	15,385	15,385
Debt service				
Principal	43,737	175,000	28,845	247,582
Interest	4,000	267,372	4,048	275,420
Total expenditures	13,170,382	450,562	2,913,437	16,534,381
Excess (deficiency) of revenues over expenditures	(193,381)	7,092	(242,460)	(428,749)
Other financing sources (uses)				
Transfers-in	-	-	54,400	54,400
Proceeds from debt refunding	-	774,999	-	774,999
Premium on debt issuance	-	54,293	-	54,293
Payments to escrow agent	-	(794,938)	-	(794,938)
Transfers-out	(54,400)	-	-	(54,400)
Total other financing sources (uses)	(54,400)	34,354	54,400	34,354
Net change in fund balances	(247,781)	41,446	(188,060)	(394,395)
Fund balances, beginning of year, restated	(176,387)	259,939	532,483	616,035
Fund balances, end of year	\$ (424,168)	\$ 301,385	\$ 344,423	\$ 221,640

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, 2011

Net change in fund balances - total governmental funds \$ (394,395)

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	66,971		
	Depreciation expense	<u>(650,296)</u>		(583,325)

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

	Property taxes			487,500
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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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the treatment of long-term debt and related items.

213,228

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	(20,001)		
	Annual accretion	2,088		
	Compensated absences	<u>45,248</u>		<u>27,335</u>

Change in net assets of governmental activities

\$ (249,657)

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, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Taxes	\$ 2,822,712	\$ 2,822,712	\$ 2,381,075	\$ (441,637)
Tuition and fees	2,868,171	3,660,416	3,068,736	(591,680)
Interest	11,701	14,933	12,519	(2,414)
Intergovernmental	7,592,522	7,592,522	7,262,376	(330,146)
Other	45,955	58,648	49,168	(9,480)
Total revenues	13,341,061	14,149,231	12,773,874	(1,375,357)
Expenditures				
Current				
Instruction				
Regular	7,553,745	7,976,427	6,794,304	1,182,123
Special	918,651	970,055	826,291	143,764
Vocational	194,443	205,323	174,894	30,429
Supporting services				
Pupil	1,013,778	1,070,505	911,854	158,651
Instructional staff	541,308	571,598	486,886	84,712
Board of education	60,630	64,022	54,534	9,488
Administration	982,852	1,037,849	884,038	153,811
Fiscal services	405,659	428,359	364,875	63,484
Business	398,869	421,188	358,767	62,421
Operation and maintenance	1,649,814	1,742,132	1,483,944	258,188
Pupil transportation	537,552	567,631	483,507	84,124
Central services	152,069	160,578	136,780	23,798
Extracurricular activities	318,700	336,533	286,658	49,875
Total expenditures	14,728,070	15,552,200	13,247,332	2,304,868
Excess (deficiency) of revenues over expenditures	(1,387,009)	(1,402,969)	(473,458)	929,511
Other financing sources (uses)				
Advances-in	72,902	93,039	78,000	(15,039)
Refund of prior year expenditures	1,271	1,622	1,360	(262)
Transfers-out	(60,479)	(63,865)	(54,400)	9,465
Advances-out	(20,401)	(21,543)	(18,350)	3,193
Total other financing sources (uses)	(6,707)	9,253	6,610	(2,643)
Net change in fund balances	(1,393,716)	(1,393,716)	(466,848)	926,868
Fund balances, beginning of year	1,393,716	1,393,716	1,393,716	-
Prior year encumbrances	119,214	119,214	119,214	-
Fund balances, end of year	\$ 119,214	\$ 119,214	\$ 1,046,082	\$ 926,868

See accompanying notes to the basic financial statements.

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

JUNE 30, 2011

	Agency Funds
Assets	
Equity in pooled cash	\$ 46,029
Total assets	<u>\$ 46,029</u>
Liabilities	
Accounts payable	\$ 2,079
Due to students	38,266
Due to others	5,684
Total liabilities	<u>\$ 46,029</u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Clearview Local School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2010 was 1,651. The District employs 111 certificated and 87 non-certificated employees.

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

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

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

The District is associated with the 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 21 to these financial statements.

B. BASIS OF PRESENTATION

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

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

Government-wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

C. FUND ACCOUNTING

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

Governmental Funds

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

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

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

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

Fiduciary Funds

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

D. MEASUREMENT FOCUS

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

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

Expenditures/Expenses

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. BUDGETARY PROCESS

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

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

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

G. CASH AND INVESTMENTS

Cash received by the District is deposited in one central bank account with individual fund balance integrity maintained through District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAR Ohio) or other short term investments. Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest income earned for the year ended June 30, 2011 totaled \$ 13,557. Interest revenue credited to the General Fund amounted to \$ 12,566 which includes \$ 5,341 assigned from other District funds.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011. At June 30, 2011, the District did not have deposits in STAR Ohio. Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

H. RESTRICTED ASSETS

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. CAPITAL ASSETS

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

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

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

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

J. INTERFUND BALANCES

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

K. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit. The liability includes employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

M. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include money for federal grants.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide statement of net assets reports \$ 753,727 of restricted net assets, none of which is restricted by enabling legislation.

N. FUND BALANCE

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

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

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

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE (continued)

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

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

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

O. INTERFUND TRANSACTIONS

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

P. ESTIMATES

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

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, and GASB Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund balance at 6/30/10, As previously reported	\$ (272,589)	\$ 259,939	\$ 628,685	\$ 616,035
Change in fund structure	96,202	-	(96,202)	-
As restated at 6/30/10	<u>\$ (176,387)</u>	<u>\$ 259,939</u>	<u>\$ 532,483</u>	<u>\$ 616,035</u>

NOTE 3 – DEFICIT FUND EQUITY

At June 30, 2011, the following funds had a deficit fund balances:

General Fund	\$ (424,168)
Non-major Funds	
Race to the Top	\$ (4,119)
IDEA Part B	\$ (3,166)
Title I	\$ (14,518)
Improving Teacher Quality	\$ (12,202)

These deficit fund balances resulted from reflecting expenditures in accordance with the modified accrual basis of accounting, which are larger than amounts recognized on the budget basis. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The District, in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year.

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
	General Fund
Budget basis	\$ (466,848)
Adjustments, increase (decrease)	
Revenue accruals	110
Expenditure accruals	50,145
Funds budgeted elsewhere **	(10,803)
Encumbrances	179,615
GAAP basis, as reported	\$ (247,781)

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – FUND BALANCES

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

Fund balances	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Restricted for:				
Food service operations	\$ -	\$ -	\$ 33,433	\$ 33,433
Athletics	-	-	33,452	33,452
Education jobs	-	-	9,429	9,429
Technology improvements	-	-	269	269
Fiscal stabilization	-	-	66,552	66,552
Other purposes	396,438	-	108,599	505,037
Debt service	-	301,385	-	301,385
Capital improvements	-	-	126,694	126,694
Total restricted	<u>396,438</u>	<u>301,385</u>	<u>378,428</u>	<u>1,076,251</u>
Assigned to				
Encumbrances	169,007	-	-	169,007
Total assigned	<u>169,007</u>	<u>-</u>	<u>-</u>	<u>169,007</u>
Unassigned (deficit)	<u>(989,613)</u>	<u>-</u>	<u>(34,005)</u>	<u>(1,023,618)</u>
Total fund balances	<u>\$ (424,168)</u>	<u>\$ 301,385</u>	<u>\$ 344,423</u>	<u>\$ 221,640</u>

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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 (STAR Ohio);
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education), and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District's deposits was \$ 2,267,543 and the bank balance was \$ 2,334,282. Of the bank balance, \$ 750,000 was covered by federal depository insurance and \$ 1,584,282 was uninsured. Of the remaining balance, \$ 1,584,282 was collateralized with securities held by the pledging institution's trust department not in the District's name. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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

C. INTEREST RATE RISK

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

D. CREDIT RISK

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

E. CONCENTRATION OF CREDIT RISK

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30; however this year the settlement was late.

The District receives property taxes from Lorain County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late settlement of tangible personal property taxes and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$ 221,732 in the General Fund, \$ 3,136 in the Capital Facilities Fund, and \$ 37,205 in the Debt Service Fund. The amount available as an advance at June 30, 2010, was \$ 141,554 in the General Fund, \$ 1,998 in the Capital Facilities Fund, and \$ 22,985 in the Debt Service Fund.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 - PROPERTY TAXES (continued)

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	%	Amount	%
Agricultural Residential				
Real Estate	\$ 59,537,260	67.90 %	\$ 59,646,860	67.13 %
Other Commercial	25,266,279	28.82	26,367,080	29.67
Tangible Personal Property	2,873,337	3.28	2,847,610	3.20
	\$ 87,676,876	100.00 %	\$ 88,861,550	100.00 %
 Tax Rate per \$ 1,000 of Assessed Valuation:	 \$ 53.53		 \$ 54.76	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2011, consisted of property taxes, accounts receivable and amounts due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

Governmental Activities	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
Nondepreciable capital assets				
Land	\$ 47,080	\$ -	\$ -	\$ 47,080
Total nondepreciable capital assets	<u>47,080</u>	<u>-</u>	<u>-</u>	<u>47,080</u>
Depreciable capital assets				
Buildings and improvements	21,994,004	20,000	-	22,014,004
Furniture and equipment	840,866	46,971	-	887,837
Vehicles	518,541	-	-	518,541
Total capital assets being depreciated	<u>23,353,411</u>	<u>66,971</u>	<u>-</u>	<u>23,420,382</u>
Less accumulated depreciation				
Buildings and improvements	3,632,268	522,379	-	4,154,647
Furniture and equipment	462,074	92,851	-	554,925
Vehicles	339,560	35,066	-	374,626
Total accumulated depreciation	<u>4,433,902</u>	<u>650,296</u>	<u>-</u>	<u>5,084,198</u>
Depreciable capital assets, net of accumulated depreciation	<u>18,919,509</u>	<u>(583,325)</u>	<u>-</u>	<u>18,336,184</u>
Governmental activities capital assets, net	<u>\$ 18,966,589</u>	<u>\$ (583,325)</u>	<u>\$ -</u>	<u>\$ 18,383,264</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 301,205
Special	67,478
Vocational	13,411
Supporting services	
Pupil	19,495
Instructional staff	48,098
Board of education	463
Administration	40,282
Fiscal	10,995
Business	1,715
Operation and maintenance of plant	57,791
Pupil transportation	44,524
Central services	2,109
Operation of non-instructional services	
Food service	15,794
Community services	2,006
Extracurricular activities	24,930
Total depreciation expense	<u>\$ 650,296</u>

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 10 - INTERFUND ACTIVITY

On the fund financial statements at June 30, 2011, interfund balances consisted of the following:

	Due to: General Fund
Due from:	
Nonmajor Governmental Funds	\$ 18,350

During the year ended June 30, 2011, transfers were made to provide for the payment of expenditures in a nonmajor governmental fund.

	Transfer from: General Fund
Transfer to:	
Nonmajor Governmental Fund	\$ 54,400

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. The District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide health and medical benefits. LERC is a fully insured consortium. The District provides medical, vision and dental benefits to most employees. The premium and coverages vary with employee depending on marital status.

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

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$ 130,826, \$ 246,376 and \$ 168,847, respectively; 12.7 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

B. STATE TEACHERS RETIREMENT SYSTEM

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

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

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

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

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

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

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% of member and 14% for employers. Contribution requirements and contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$ 879,433, \$ 844,579, and \$ 811,192, respectively 83.0 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

Medicare Part B Plan - The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$ 96.40 for most participants, but could be as high as \$ 369.10 per month depending on their income. SERS' reimbursement to retirees was \$ 45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76%. The District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$ 8,419, \$ 14,652, and \$ 13,931, respectively; 12.7 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$ 15,841, \$ 8,868, and \$ 77,272 respectively; 12.7 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$ 67,649, \$ 64,968, and \$ 62,399, respectively; 83.0 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 14 – ADVANCE REFUNDING

On April 7, 2011, the District issued \$ 774,999 of general obligation refunding bonds, consisting of term, serial and capital appreciation bonds. The interest rate on these refunding bonds ranges from 2.9% to 3.9%. The District issued the bonds to advance refund \$ 775,000 of the 2001 series general obligation bonds with a 5.28% interest rate. The District used the net proceeds to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Assets. This advance refunding was undertaken to reduce total debt service payments through 2024 by \$ 80,175 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 62,793.

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the District’s long-term obligations during fiscal year 2011 were as follows:

	Balance			Amounts	
	June 30, 2010	Increase	Decrease	Balance June 30, 2011	Due In One Year
Bonds payable	\$ 4,625,000	\$ 774,999	\$ 950,000	\$ 4,449,999	\$ 210,000
Accretion on capital appreciation bonds	-	1,580	-	1,580	-
Loan payable	91,000	-	28,845	62,155	30,315
Capital leases	79,569	-	43,737	35,832	35,832
Compensated absences	1,273,321	103,458	162,659	1,214,120	148,706
	<u>\$ 6,068,890</u>	<u>\$ 880,037</u>	<u>\$ 1,185,241</u>	<u>\$ 5,763,686</u>	<u>\$ 424,853</u>

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire bonds payable and loan payable outstanding at June 30, 2011, were as follows:

Year ending June 30,	Bonds Payable		Loan Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 210,000	\$ 232,531	\$ 30,315	\$ 2,545	\$ 240,315	\$ 235,076
2013	220,000	219,060	31,840	1,001	251,840	220,061
2014	240,000	207,970	-	-	240,000	207,970
2015	245,000	196,330	-	-	245,000	196,330
2016	270,000	183,849	-	-	270,000	183,849
2017 - 2021	1,635,000	755,035	-	-	1,635,000	755,035
2022 - 2025	1,629,999	171,665	-	-	1,629,999	171,665
	<u>\$ 4,449,999</u>	<u>\$ 1,966,440</u>	<u>\$ 62,155</u>	<u>\$ 3,546</u>	<u>\$ 4,512,154</u>	<u>\$ 1,969,986</u>

NOTE 16 – BONDS PAYABLE

Bonds payable at year end consisted of:

	Outstanding June 30, 2010	Additions	Deductions	Outstanding June 30, 2011	Due within 1 year
General obligation bonds					
Refunding bonds, (2006)					
4.000% through 2024	\$ 1,780,000	\$ -	\$ -	\$ 1,780,000	\$ 100,000
School Improvement, (1999)					
6.125% through 2024	1,075,000	-	90,000	985,000	-
Building construction, (2001)					
5.280% through 2023	1,770,000	-	860,000	910,000	90,000
Refunding bonds, (2011)					
Term and serial bonds					
2.9% - 3.8% through 2024	-	720,000	-	720,000	20,000
Capital appreciation bonds					
3.9% - 3.8% through 2020	-	54,999	-	54,999	-
Accretion on capital appreciation bonds	-	1,580	-	1,580	-
	<u>\$ 4,625,000</u>	<u>\$ 776,579</u>	<u>\$ 950,000</u>	<u>\$ 4,451,579</u>	<u>\$ 210,000</u>

The original amount of bonds issued in 1999 and 2001 were \$ 3,260,000 and \$ 2,410,000, respectively. At June 30, 2011, \$1,780,000 of the 1999 general obligation bonds and \$ 775,000 of the 2001 general obligation bonds are considered to be defeased. Principal payments on the 2006 refunding bonds are not due until December 2011.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 17 – LOAN PAYABLE

Loan payable at year end consisted of:

	<u>Outstanding June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2011</u>
Buckeye Community Bank loan Track renovation (2010), 5.000% through 2013	\$ 91,000	\$ -	\$ 28,845	\$ 62,155

NOTE 18 – CAPITAL LEASE

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

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

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Equipment	\$ 206,177	\$ 181,435	\$ 24,742

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, 2011.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, are as follows:

	<u>Year ending June 30, 2012</u>	<u>Amount</u>
Total minimum lease payments		\$ 36,975
Less amount representing interest		1,143
Net present value of minimum lease payments		<u>\$ 35,832</u>

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 19 - 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 2011.

	Textbook	Capital Maintenance
Balance, July 1, 2010	\$ 8,909	\$ 242,650
Required set aside	283,734	283,734
Offsetting credits	-	(45,539)
Qualifying expenditures	(233,762)	(143,288)
Balance June 30, 2011	\$ 58,881	\$ 337,557
 Set aside carried forward	 \$ -	 \$ -

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. Effective July 1, 2011 the textbook set aside is no longer required and was removed from existing law.

NOTE 20 - 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, 2011.

NOTE 21 - 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, 2011, the District paid \$ 360,085 to LEECA.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 21 - 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, 2011, the District paid \$ 0 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 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

NOTE 22 - SUBSEQUENT EVENTS

In November 2011, the citizens of the School District approved the passage of a 6.53 mill renewal levy.

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**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor <i>Pass Through Grantor</i> Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
National School Lunch Program	2011	10.555	\$448,096	\$52,246	\$448,096	\$52,246
School Breakfast Program	2011	10.553	198,084	0	198,084	0
Total Child Nutrition Cluster			<u>646,180</u>	<u>52,246</u>	<u>646,180</u>	<u>52,246</u>
Total U.S. Department of Agriculture			<u>646,180</u>	<u>52,246</u>	<u>646,180</u>	<u>52,246</u>
U.S. Department of Education						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education-Grants to States	2010	84.027	(20,356)	0	44,344	0
	2011	84.027	262,300	0	240,582	0
ARRA Special Education-Grants to States	2010	84.391	(40,601)	0	6,000	0
	2011	84.391	78,358	0	66,160	0
Total Special Education Cluster			<u>279,701</u>	<u>0</u>	<u>357,086</u>	<u>0</u>
Title I, Part A Cluster:						
Title I Grants to Local Educational Agencies	2010	84.010	24,645	0	62,481	0
	2011	84.010	298,987	0	257,881	0
ARRA Title I Grants to Local Educational Agencies	2010	84.389	(25,915)	0	6,492	0
	2011	84.389	55,435	0	51,127	0
Total Title I, Part A Cluster			<u>353,152</u>	<u>0</u>	<u>377,981</u>	<u>0</u>
Safe and Drug-Free Schools and Communities State Grants	2010	84.186	0	0	1,277	0
Education Technology State Grants	2011	84.318	902	0	633	0
Improving Teacher Quality State Grants	2010	84.367	0	0	11,128	0
	2011	84.367	90,370	0	91,267	0
Total Improving Teacher Quality State Grants			<u>90,370</u>	<u>0</u>	<u>102,395</u>	<u>0</u>
ARRA State Fiscal Stabilization Funding	2010	84.394	(67,262)	0	127,401	0
	2011	84.394	656,000	0	525,997	0
Total ARRA State Fiscal Stabilization Funding			<u>588,738</u>	<u>0</u>	<u>653,398</u>	<u>0</u>
Education Jobs Fund	2011	84.410	165,423	0	124,144	0
ARRA Race to the Top	2011	84.395	27,876	0	31,994	0
Total U.S. Department of Education			<u>1,506,162</u>	<u>0</u>	<u>1,648,908</u>	<u>0</u>
U.S. Department of Health and Human Services						
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program (CAFS)	2011	93.778	36,784	0	0	0
Total U.S. Department of Health and Human Services			<u>36,784</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Federal Assistance			<u>\$2,189,126</u>	<u>\$52,246</u>	<u>\$2,295,088</u>	<u>\$52,246</u>

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 FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
ARRA Title I Grants to Local Educational Agencies	84.389	25,915
Special Education - Grants to States	84.027	20,356
ARRA Special Education - Grants to States	84.391	40,601
ARRA State Fiscal Stabilization Funds	84.394	67,262

NOTE E - MEDICAID SCHOOLS PROGRAM

The District received a total settlement of Medicaid Schools Program receipts of \$36,784 during the fiscal year. The amount reported as total receipts on the Schedule represents amounts related to settlements for Community Alternative Funding System (CAFS) services provided during prior years.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clearview Local School District, Lorain County, Ohio (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2012, wherein we noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances due to a change in fund structure. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 13, 2012.

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

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

Dave Yost
Auditor of State

January 13, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Clearview Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Clearview Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

As described in findings 2011-01 and 2011-02 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management applicable to its State Fiscal Stabilization Fund and eligibility applicable to its Child Nutrition Cluster major federal programs. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Clearview Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2011-01 and 2011-02 to be material weaknesses.

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 13, 2012.

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



Dave Yost
Auditor of State

January 13, 2012

CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – Cash Management – State Fiscal Stabilization Fund; Qualified – Eligibility – Child Nutrition Cluster; Unqualified – All other requirements
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	ARRA State Fiscal Stabilization Fund – CFDA #84.394 Education Jobs Fund – CFDA #84.410 <u>Special Education Cluster:</u> ARRA and non-ARRA Special Education Grants to States – CFDA #84.391 and 84.027 <u>Child Nutrition Cluster:</u> National School Lunch Program – CFDA #10.555; National School Breakfast Program – CFDA #10.553

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(CONTINUED)**

1. SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

<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?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Cash Management – Noncompliance and Material Weakness

Finding Number	2011-01
CFDA Title and Number	#84.394 ARRA State Fiscal Stabilization Fund (SFSF)
Federal Award Number / Year	2011
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

The District received State Fiscal Stabilization Funds (SFSF) which were passed through the Ohio Department of Education. These SFSF monies were advanced bi-monthly to the District along with State Foundation Payments as indicated in the ODE Pathway to Student Success (PASS) form, a new form in fiscal year 2010 that shows funding information for the components of the Evidenced Based Funding Model (EBM). The PASS form breaks out the individual components of the EBM, including the amount representing SFSF. 34 CFR 80.21 (b)(7) states in part: "When advances are made by letter of credit or electronic transfer of funds methods, the grantee must make draw downs as close as possible to the time of making disbursement." The Ohio Department of Education subsequently stated local educational agencies must have formal control systems in place to ensure advance SFSF payments are spent timely (i.e., within 30 days or by the end of the month in which the monies were received, whichever occurs first). The Ohio Department of Education sent further guidance allowing for Districts to spend the last payment received in June of 2011 until July 31, 2011.

The District began receiving SFSF funding in July 2009. In total, the District received \$852,711 and as of June 30, 2011 had only spent \$720,660. The level of this balance allowed the District to earn interest on these funds. We noted unencumbered balances ranging from \$74,954 to \$171,589 for the months of July 2010 to June 2011. We also noted an unencumbered balance of \$26,873 at the end of July 2011. We determined the District earned an estimated \$776 of interest from these excess funds. The interest must be remitted to the U.S. Department of Education through the Ohio Department of Education. An amount of \$100 per entity may be retained under 34 CFR 80.21 for administrative expenses.

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(CONTINUED)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (CONTINUED)

Cash Management – Noncompliance and Material Weakness (Continued)

We recommend the District monitor available cash fund balances to ensure advanced grant monies are spent timely. We also recommend the District contact the Ohio Department of Education so they can review the calculation of interest earned and remit the additional \$676 of estimated interest earned on the excess SFSF balances to the United States Department of Education.

Officials' Response: We did not receive a response from Officials to this finding.

Eligibility – Noncompliance and Material Weakness

Finding Number	2011-02
CFDA Title and Number	#10.553 National School Breakfast Program #10.555 National School Lunch Program
Federal Award Number / Year	2011
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

A child's eligibility for free or reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Local educational agencies (LEAs), institutions, and sponsors determine eligibility by comparing the data reported by the child's household to published income eligibility guidelines. The Clearview Local School District requires these applications be submitted in order to determine if a student qualifies for a free or reduced lunch under 7 CFR sections 245.2, 245.3, and 245.6; section 9(b)(1) of the NSLA (42 USC 1758 (b)(1)); section 3(a)(6) and 4 (e) of the CNA (42 USC 1772(a)(6) and 1773(e)).

The District record retention schedule requires that records of the District "shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by a School Records Commission." The schedule requires that Federal program files be maintained for 10 years.

During our test of internal controls over the Child Nutrition Cluster eligibility requirements, it was noted for 25 out of 60 (40.67%) student application forms selected for testing, the District could not locate the original application forms. Without the original applications that were submitted for these students, we were unable to determine if the proper determination and approvals were made to either approve or deny the student to qualify for a free or reduced price lunch.

During a separate test of students that actually were receiving a free or reduced price lunch during the school year, it was noted that 5 of 60 (8.33%) student application forms selected for testing could not be located by the District. Without the original applications, we were unable to determine if these students properly qualified for a free or reduced price lunch.

CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(CONTINUED)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (CONTINUED)

Eligibility – Noncompliance and Material Weakness (Continued)

Furthermore, by not being able to locate the original applications for these students, the District was in violation of its record retention policy.

We recommend the District maintain and safeguard all original applications for the free and reduced price lunch program that are submitted for the school year in order to properly verify whether or not students qualified for the program.

Officials' Response: We did not receive a response from Officials to this finding.

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Activities Allowed or Unallowed – Noncompliance/Questioned Cost/Material Weakness: The District spent State Fiscal Stabilization funds for unallowable activities.	Yes	

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Clearview Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on October 10, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 13, 2012

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CLEARVIEW LOCAL SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 2, 2012**