

***CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO***

AUDIT REPORT

For the Year Ended June 30, 2015





Dave Yost • Auditor of State

Board of Education
Clearview Local School District
4700 Broadway Avenue
Lorain, Ohio 44052

We have reviewed the *Independent Auditor's Report* of the Clearview Local School District, Lorain County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 14, 2016

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**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash 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, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2015, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, "*Accounting and Financial Reporting for Pensions*". We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as 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 financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to the Management's Discussion & Analysis. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
November 6, 2015

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

This 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, 2015, within the limitations of the cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key highlights for 2015 are as follows:

In total, net position increased \$ 841,340, or a 100.1% change from the prior fiscal year. The School District's general receipts are primarily property taxes and unrestricted state entitlements, which make up 66.9% of the total cash received. Dependence on these two revenue sources is significant.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

Reporting the School District As A Whole

The statement of net position and the statement of activities reflect how the School District did financially during 2015, within the limitations of cash basis accounting. The statement of net position presents the cash balances of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors such as the School District's property tax base, the condition of the School District's capital assets and infrastructure, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net position and the statement of activities, all of the School District activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, food services, extracurricular activities, and capital outlay disbursements.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

Governmental Funds – All of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs.

The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and the Debt Service Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

The School District as a Whole

Table 1 provides a comparison of the School District's net position for fiscal year 2015 with fiscal year 2014:

| | <u>2015</u> | <u>2014</u> |
|----------------------------|---------------------|-------------------|
| Assets | | |
| Equity in pooled cash | \$ 1,682,176 | \$ 840,836 |
| Total assets | <u>1,682,176</u> | <u>840,836</u> |
| Net position | | |
| Restricted for: | | |
| Debt service | 269,694 | 284,814 |
| Capital projects | 23,828 | 5,071 |
| Food service | 151,823 | 443 |
| Extracurricular activities | 30,984 | 16,349 |
| State grants | 13,500 | 13,019 |
| Federal grants | 21,211 | 125,733 |
| Donations | 30,570 | 10,691 |
| Capital maintenance | 394,290 | 273,431 |
| Unrestricted | <u>746,276</u> | <u>111,285</u> |
| Total net position | <u>\$ 1,682,176</u> | <u>\$ 840,836</u> |

As mentioned previously, net position of governmental activities increased \$ 841,340, or 100.1% during fiscal year 2015, primarily due to an increase in intergovernmental receipts.

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

Table 2 reflects the changes in net position for fiscal year 2015 compared with fiscal year 2014.

Table 2
Governmental Activities

| | 2015 | 2014 |
|--|--------------|--------------|
| Receipts | | |
| Program receipts | | |
| Charges for services and sales | \$ 3,959,071 | \$ 3,987,100 |
| Operating grants, interest and contributions | 1,854,049 | 1,755,454 |
| Total program receipts | 5,813,120 | 5,742,554 |
| General receipts | | |
| Property taxes | 2,960,244 | 3,157,476 |
| Grants and entitlements not restricted to specific purposes | 9,004,245 | 8,021,979 |
| Investment earnings | 1,194 | 1,224 |
| Miscellaneous | 104,788 | 69,474 |
| Advances | - | - |
| Total general receipts | 12,070,471 | 11,250,153 |
| Total receipts | 17,883,591 | 16,992,707 |
| Program cash disbursements | | |
| Instruction | 10,131,024 | 10,407,359 |
| Supporting services | | |
| Pupil and instructional staff | 1,074,341 | 1,017,888 |
| Board of education, administration, fiscal services and business | 1,990,303 | 1,733,225 |
| Operation and maintenance | 1,519,027 | 1,368,872 |
| Pupil transportation | 399,734 | 391,226 |
| Central services | 59,193 | 59,944 |
| Operation of non-instructional services | | |
| Food service operation | 852,194 | 883,217 |
| Community services | - | 150 |
| Other operations | - | 33,159 |
| Extracurricular activities | 445,848 | 446,838 |
| Debt service | | |
| Principal | 370,000 | 402,500 |
| Interest and fiscal charges | 200,587 | 226,469 |
| Total program cash disbursements | 17,042,251 | 16,970,847 |
| Increase in net position | 841,340 | 21,860 |
| Net position at beginning of year | 840,836 | 818,976 |
| Net position at end of year | \$ 1,682,176 | \$ 840,836 |

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

Program receipts represent only 32.5% in fiscal year 2015 and 33.8% in fiscal year 2014 of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees, extracurricular activities, and food service sales. General receipts represent 67.5% of total receipts in fiscal year 2015 and 66.2% in fiscal year 2014, and of this amount, 74.7% for fiscal year 2015 and 71.3% for fiscal year 2014 is the result of unrestricted grants and entitlements, which primarily represents State foundation resources. Property taxes make up 24.5% in fiscal year 2015 and 28.1% in fiscal year 2014 of the School District's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction, which accounts for 59.5% of all governmental disbursements in fiscal year 2015 and 61.3% in fiscal year 2014. Other programs which support the instruction process, including pupil and instructional staff, administrative, maintenance, and pupil transportation account for approximately 29.6% of governmental disbursements in fiscal year 2015 and 26.9% in fiscal year 2014.

Governmental Activities - If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next two columns of the Statement of Activities entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net (Disbursements) column compares the program receipts to the cost of the service. This "Net Cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

| | <u>Total Cost of Services</u> | | <u>Net Cost of Services</u> | |
|---|-------------------------------|----------------------|-----------------------------|-----------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Program expenses | | | | |
| Instruction | \$ 10,131,024 | \$ 10,407,359 | \$ (5,627,954) | \$ (5,825,703) |
| Supporting services | | | | |
| Pupil and instructional staff | 1,074,341 | 1,017,888 | (927,779) | (921,138) |
| Board of education, administration, fiscal services and business | 1,990,303 | 1,733,225 | (1,990,303) | (1,699,717) |
| Operation and maintenance | 1,519,027 | 1,368,872 | (1,504,027) | (1,368,872) |
| Pupil transportation | 399,734 | 391,226 | (399,734) | (391,226) |
| Central services | 59,193 | 59,944 | (59,193) | (59,944) |
| Operation of non-instructional services | | | | |
| Food service operation | 852,194 | 883,217 | 156,411 | (9,805) |
| Community services | - | 150 | - | - |
| Other operations | - | 33,159 | - | (12,109) |
| Extracurricular activities | 445,848 | 446,838 | (305,965) | (310,810) |
| Debt service | | | | |
| Principal | 370,000 | 402,500 | (370,000) | (402,500) |
| Interest | 200,587 | 226,469 | (200,587) | (226,469) |
| Total expenses | <u>\$ 17,042,251</u> | <u>\$ 16,970,847</u> | <u>\$(11,229,131)</u> | <u>\$(11,228,293)</u> |

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

The dependence upon property taxes and other general receipts is apparent as 64.7% in fiscal year 2015 and 66.2% in fiscal year 2014 of governmental activities are supported through these general receipts. In fiscal year 2015, 55.6% and in fiscal year 2014, 56.0% of instruction activities are supported through taxes and other general revenues. Operation of food services was primarily funded by program revenues. In fiscal year 2015 and 2014, 32.5% and 31.4%, respectively, of extracurricular activities expenses are covered by program revenues. It is apparent that the community, as a whole, is the primary support for the School District.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds had receipts of \$ 17,867,848, disbursements of \$ 17,032,251 and net other financing sources and uses of \$ 5,743, resulting in an increase in fund balances of \$ 841,340.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2015, the School District amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts including other financing sources were budgeted at \$ 14,727,243 while actual receipts were \$ 15,214,709. The difference between final budgeted receipts and actual receipts was primarily due to lower taxes and higher intergovernmental receipts being collected.

Final disbursements including other financing uses were budgeted at \$ 14,685,864 while actual disbursements were \$ 14,552,367. The School District was able to restrict spending below what was anticipated. The School District experienced lower than expected expenditures of \$ 84,807 and \$ 44,482 for instruction and support services, respectively. The School District appropriates conservatively in order to cover expenditures.

Debt Administration

Outstanding debt obligations of the School District consisted of:

| | 2015 | 2014 |
|--------------------------|--------------|--------------|
| General obligation bonds | \$ 3,571,356 | \$ 3,806,043 |
| Tax anticipation note | 62,500 | 187,500 |
| | \$ 3,633,856 | \$ 3,993,543 |

Current Issues

The challenge for all School Districts is to provide quality education to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for fiscal year 2018.

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

Contacting the School District's Financial Management

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

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CLEARVIEW LOCAL SCHOOL DISTRICT
STATEMENT OF NET POSITION – CASH BASIS
JUNE 30, 2015

| | Governmental Activities |
|----------------------------|----------------------------|
| Assets | |
| Equity in pooled cash | \$ 1,682,176 |
| Total assets | \$ 1,682,176 |
| Net position | |
| Restricted for: | |
| Debt service | \$ 269,694 |
| Capital projects | 23,828 |
| Food service | 151,823 |
| Extracurricular activities | 30,984 |
| State grants | 13,500 |
| Federal grants | 21,211 |
| Donations | 30,570 |
| Capital maintenance | 394,290 |
| Unrestricted | 746,276 |
| Total net position | \$ 1,682,176 |

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2015

| | Cash Disbursements | Program Receipts | | Net (Expense) Receipts and Changes in Net Position |
|---|-----------------------|--------------------------------------|--|---|
| | | Charges for Services and Sales | Operating Grants, Interest and Contributions | |
| Governmental activities | | | | |
| Current: | | | | |
| Instruction | | | | |
| Regular | \$ 8,093,115 | \$ 3,711,791 | \$ 103,441 | \$ (4,277,883) |
| Special | 1,857,779 | - | 685,156 | (1,172,623) |
| Vocational | 173,130 | - | 2,682 | (170,448) |
| Other instruction | 7,000 | - | - | (7,000) |
| Supporting services | | | | |
| Pupil | 903,348 | 45,431 | 95,731 | (762,186) |
| Instructional staff | 170,993 | - | 5,400 | (165,593) |
| Board of education | 19,121 | - | - | (19,121) |
| Administration | 1,191,987 | - | - | (1,191,987) |
| Fiscal services | 367,366 | - | - | (367,366) |
| Business | 411,829 | - | - | (411,829) |
| Operation and maintenance | 1,519,027 | - | 15,000 | (1,504,027) |
| Pupil transportation | 399,734 | - | - | (399,734) |
| Central services | 59,193 | - | - | (59,193) |
| Operation of non-instructional services | | | | |
| Food service operation | 852,194 | 61,966 | 946,639 | 156,411 |
| Extracurricular activities | 445,848 | 139,883 | - | (305,965) |
| Debt service | | | | |
| Principal | 370,000 | - | - | (370,000) |
| Interest | 200,587 | - | - | (200,587) |
| | <u>\$ 17,042,251</u> | <u>\$ 3,959,071</u> | <u>\$ 1,854,049</u> | <u>(11,229,131)</u> |
| General receipts | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | 2,493,225 |
| Debt service | | | | 370,810 |
| Capital improvements | | | | 96,209 |
| Grants and entitlements not restricted to specific purposes | | | | 9,004,245 |
| Investment earnings | | | | 1,194 |
| Miscellaneous | | | | 104,788 |
| Total general receipts | | | | <u>12,070,471</u> |
| Change in net position | | | | 841,340 |
| Net position, beginning of year | | | | 840,836 |
| Net position, end of year | | | | <u>\$ 1,682,176</u> |

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
 STATEMENT OF ASSETS AND FUND BALANCES – CASH BASIS
 GOVERNMENTAL FUNDS

JUNE 30, 2015

| | General Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|----------------------------|-------------------|-------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in pooled cash | \$ 746,276 | \$ 269,694 | \$ 436,823 | \$ 1,452,793 |
| Restricted cash | 229,383 | - | - | 229,383 |
| Total assets | \$ 975,659 | \$ 269,694 | \$ 436,823 | \$ 1,682,176 |
| Fund balances | | | | |
| Restricted | \$ 229,383 | \$ 269,694 | \$ 436,823 | \$ 935,900 |
| Assigned | 164,956 | - | - | 164,956 |
| Unassigned | 581,320 | - | - | 581,320 |
| Total fund balances | \$ 975,659 | \$ 269,694 | \$ 436,823 | \$ 1,682,176 |

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | General Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|-------------------------|--------------------------------|--------------------------------|
| Receipts | | | | |
| Taxes | \$ 2,493,225 | \$ 370,810 | \$ 96,209 | \$ 2,960,244 |
| Tuition and fees | 3,671,139 | - | - | 3,671,139 |
| Interest | 1,012 | - | 182 | 1,194 |
| Intergovernmental | 8,965,979 | 67,045 | 1,825,270 | 10,858,294 |
| Extracurricular | 45,431 | - | 135,223 | 180,654 |
| Charges for services | - | - | 61,667 | 61,667 |
| Other | 95,128 | - | 39,528 | 134,656 |
| Total receipts | 15,271,914 | 437,855 | 2,158,079 | 17,867,848 |
| Disbursements | | | | |
| Current | | | | |
| Instruction | | | | |
| Regular | 7,990,573 | - | 102,542 | 8,093,115 |
| Special | 1,102,919 | - | 754,860 | 1,857,779 |
| Vocational | 170,448 | - | 2,682 | 173,130 |
| Other instruction | 7,000 | - | - | 7,000 |
| Supporting services | | | | |
| Pupil | 807,617 | - | 95,731 | 903,348 |
| Instructional staff | 170,993 | - | - | 170,993 |
| Board of education | 19,121 | - | - | 19,121 |
| Administration | 1,184,269 | - | 7,718 | 1,191,987 |
| Fiscal services | 354,222 | 10,054 | 3,090 | 367,366 |
| Business | 411,629 | - | 200 | 411,829 |
| Operation and maintenance | 1,444,680 | - | 40,697 | 1,485,377 |
| Pupil transportation | 382,132 | - | 17,602 | 399,734 |
| Central services | 59,193 | - | - | 59,193 |
| Operation of non-instructional services | | | | |
| Food service operation | - | - | 852,194 | 852,194 |
| Extracurricular activities | 320,600 | - | 125,248 | 445,848 |
| Capital outlay | - | - | 33,650 | 33,650 |
| Debt service | | | | |
| Principal | - | 370,000 | - | 370,000 |
| Interest | - | 200,587 | - | 200,587 |
| Total disbursements | 14,425,396 | 580,641 | 2,036,214 | 17,042,251 |
| Excess (deficiency) of receipts over disbursements | 846,518 | (142,786) | 121,865 | 825,597 |
| Other financing sources (uses) | | | | |
| Advances in | 13,296 | - | 10,450 | 23,746 |
| Advances out | (10,450) | - | (13,296) | (23,746) |
| Disposal of assets | 12,500 | - | - | 12,500 |
| Transfers in | - | 127,666 | - | 127,666 |
| Transfers out | (127,666) | - | - | (127,666) |
| Refunds of prior year expenditures | 3,085 | - | 158 | 3,243 |
| Total other financing sources (uses) | (109,235) | 127,666 | (2,688) | 15,743 |
| Net change in fund balances | 737,283 | (15,120) | 119,177 | 841,340 |
| Fund balances, beginning of year | 238,376 | 284,814 | 317,646 | 840,836 |
| Fund balances, end of year | \$ 975,659 | \$ 269,694 | \$ 436,823 | \$ 1,682,176 |

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES –
BUDGET BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

| | General Fund | | | Variance Over (Under) |
|--|-------------------|-------------------|-------------------|-----------------------------|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| Receipts | | | | |
| Taxes | \$ 3,079,838 | \$ 3,079,838 | \$ 2,493,225 | \$ (586,613) |
| Tuition and fees | 3,197,298 | 3,547,592 | 3,671,139 | 123,547 |
| Interest | 879 | 975 | 1,009 | 34 |
| Intergovernmental | 8,018,286 | 8,018,286 | 8,965,979 | 947,693 |
| Other | 47,445 | 52,643 | 54,476 | 1,833 |
| Total receipts | <u>14,343,746</u> | <u>14,699,334</u> | <u>15,185,828</u> | <u>486,494</u> |
| Disbursements | | | | |
| Current | | | | |
| Instruction | | | | |
| Regular | 7,942,022 | 8,034,262 | 7,961,228 | 73,034 |
| Special | 1,100,603 | 1,113,386 | 1,103,265 | 10,121 |
| Vocational | 172,706 | 174,712 | 173,124 | 1,588 |
| Other instruction | 6,983 | 7,064 | 7,000 | 64 |
| Supporting services | | | | |
| Pupil | 762,665 | 771,522 | 764,509 | 7,013 |
| Instructional staff | 174,661 | 176,689 | 175,083 | 1,606 |
| Board of education | 19,075 | 19,296 | 19,121 | 175 |
| Administration | 1,191,336 | 1,205,172 | 1,194,217 | 10,955 |
| Fiscal services | 358,197 | 362,357 | 359,063 | 3,294 |
| Business | 421,759 | 426,657 | 422,779 | 3,878 |
| Operation and maintenance | 1,462,787 | 1,479,776 | 1,466,324 | 13,452 |
| Pupil transportation | 387,807 | 392,311 | 388,745 | 3,566 |
| Central services | 59,050 | 59,736 | 59,193 | 543 |
| Extracurricular activities | 309,851 | 313,449 | 310,600 | 2,849 |
| Total disbursements | <u>14,369,502</u> | <u>14,536,389</u> | <u>14,404,251</u> | <u>132,138</u> |
| Excess (deficiency) of receipts over disbursements | <u>(25,756)</u> | <u>162,945</u> | <u>781,577</u> | <u>618,632</u> |
| Other financing sources (uses) | | | | |
| Advances in | 11,580 | 12,849 | 13,296 | 447 |
| Advances out | (20,401) | (20,638) | (20,450) | 188 |
| Disposal of assets | 10,887 | 12,079 | 12,500 | 421 |
| Transfers out | (127,358) | (128,837) | (127,666) | 1,171 |
| Refunds of prior year expenditures | 2,687 | 2,981 | 3,085 | 104 |
| Total other financing sources (uses) | <u>(122,605)</u> | <u>(121,566)</u> | <u>(119,235)</u> | <u>2,331</u> |
| Net change in fund balances | (148,361) | 41,379 | 662,342 | 620,963 |
| Fund balances, beginning of year | 2,592 | 2,592 | 2,592 | - |
| Prior year encumbrances | <u>145,769</u> | <u>145,769</u> | <u>145,769</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ 189,740</u> | <u>\$ 810,703</u> | <u>\$ 620,963</u> |

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION – CASH BASIS
AGENCY FUNDS
JUNE 30, 2015

| | Agency Funds |
|-----------------------|-----------------|
| Assets | |
| Equity in pooled cash | \$ 83,089 |
| Total assets | \$ 83,089 |
| | |
| Net position | |
| Held for students | \$ 45,248 |
| Undistributed monies | 37,841 |
| Total net position | \$ 83,089 |

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - REPORTING ENTITY

Clearview Local District (the School 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 School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the School District.

The School District is located in Lorain County and includes all of Sheffield Township and portions of the City of Lorain. It is staffed by 71 classified employees, 102 certified teaching personnel, and 14 administrative employees who provide services to 1,725 students and other community members. The School District currently operates three instructional buildings, one bus garage and one administrative facility.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and, 1) the School District is able to significantly influence the programs or services performed or provided by the organization; or 2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School 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 School District's operations and so data from these units are combined with data of the School District. The School District has no component units.

The School District is associated with the North Coast Council, 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 School District are described in more detail in Note 15 to these financial statements.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. BASIS OF PRESENTATION

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position 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 position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into the categories of governmental and fiduciary.

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major funds:

General Fund - The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 School District account for and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature. The School District's agency funds account for various student-managed activities and unclaimed monies.

C. BASIS OF ACCOUNTING

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

E. CASH AND INVESTMENTS

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

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, 2015. At June 30, 2015 the School District did not have deposits in STAR Ohio.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2015 was \$ 1,012 which included \$ 499 assigned from other School District funds.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. RESTRICTED ASSETS

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

G. INVENTORY AND PREPAID ITEMS

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. CAPITAL ASSETS

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. INTERFUND RECEIVABLES/PAYABLES

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

K. PENSION PLANS

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

L. LONG-TERM OBLIGATIONS

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. NET POSITION

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for building maintenance.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

N. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the School 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 are 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.

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 District Board of Education. Those committed amounts cannot be used for any other purpose unless the 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.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School 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 policies of the District Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School 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.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. INTERFUND TRANSACTIONS

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 cash disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No.68, "Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the School District.

GASB Statement No.71, "Pension Transition for contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68." This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the School District.

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund (and each major special revenue fund) is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the General Fund and Classroom Facilities Maintenance Fund.

| Net Change in Fund Balance | |
|----------------------------------|-----------------|
| | General Fund |
| Budget basis | \$ 662,342 |
| Adjustments, increase (decrease) | |
| Encumbrances | 63,146 |
| Funds budgeted elsewhere ** | 11,795 |
| Cash basis, as reported | \$ 737,283 |

** 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 for financial statement presentation purposes. 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 – DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statutes classify monies held by the School 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 School 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.

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% 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 School 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.

Protection of the School 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.

At fiscal year end, the School District had \$ 3,100 in cash on hand which is included on the statement assets and fund balances – cash basis of the School District as part of "Equity in pooled cash".

B. DEPOSITS

At fiscal year end, the carrying amount of the School District's deposits was \$ 1,762,165 and the bank balance was \$ 1,807,100. Of the bank balance, \$ 398,848 was covered by federal depository insurance and \$ 1,408,252 was uninsured. Of the remaining balance, \$ 1,408,252 was collateralized with securities held by the pledging institution's trust department not in the School 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 School District to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 and public utility property located in the School District. Real property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35% 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lorain County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2015 taxes were collected are:

| | 2014 Second Half Collections | | 2015 First Half Collections | |
|---|---------------------------------|-----------------|--------------------------------|-----------------|
| | Amount | % | Amount | % |
| Agricultural Residential | | | | |
| Real Estate | \$ 53,053,940 | 65.39 % | \$ 53,118,840 | 66.96 % |
| Other Commercial | 24,470,310 | 30.16 | 22,405,970 | 28.24 |
| Public Utility | | | | |
| Tangible Personal Property | 3,610,080 | 4.45 | 3,810,270 | 4.80 |
| | <u>\$ 81,134,330</u> | <u>100.00 %</u> | <u>\$ 79,335,080</u> | <u>100.00 %</u> |
| Tax Rate per \$ 1,000 of Assessed Valuation: | <u>\$ 59.17</u> | | <u>\$ 59.97</u> | |

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with the Ohio Schools Risk Authority. All board members, administrators, and employees are covered under a school district liability policy with the Ohio Schools Risk Authority. The limits of this coverage are \$ 15,000,000 per occurrence and \$ 17,000,000 aggregate. The District provides medical and life insurance to employees through commercial insurance coverage. The treasurer is covered with a surety bond for \$ 50,000. Remaining employees who handle money are covered by a commercial coverage crime policy in the amount of \$ 50,000. This coverage is provided by the Westfield Insurance Company. The District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide health and medical benefits. LERC is a fully insured consortium. The District provides medical, vision and dental benefits to most employees. The premium varies with employee depending on marital status and employee classification.

For fiscal year 2015, the District participated in the Sheakley Workers' Compensation Group rating Program. The program is intended to reduce premiums for the participants. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the program. Each participant pays its rate. Participation in the program is limited to members that can meet the program's selection criteria. The districts apply for participation each year. Sheakley Co. provides administrative, cost control, and actuarial services to the program. Each year the District pays an enrollment fee to the program to cover the costs of administration.

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 – LONG-TERM OBLIGATIONS

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

| | Original Issue Date | Interest Rate | Original Issue Amount | Date of Maturity |
|--------------------------|---------------------------|------------------|-----------------------------|---------------------|
| General obligation bonds | | | | |
| School Improvement | 1999 | 6.125% | \$ 3,260,000 | 2024 |
| Building construction | 2001 | 5.280% | \$ 2,410,000 | 2023 |
| Refunding bonds | 2006 | 4.000% | \$ 1,780,000 | 2024 |
| Refunding | | | | |
| Term and serial | 2011 | 2.90% - 3.75% | \$ 720,000 | 2024 |
| Capital appreciation | 2011 | 3.900% | \$ 54,999 | 2020 |
| Tax anticipation note | 2013 | 3.360% | \$ 350,000 | 2015 |

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

The changes in the School District's long-term debt during fiscal year 2015 were as follows:

| | Balance June 30, 2014 | Increase | Decrease | Balance June 30, 2015 | Amounts Due In One Year |
|---|--------------------------|------------------|-------------------|--------------------------|-------------------------------|
| Bonds payable | \$ 3,779,999 | \$ - | \$ 245,000 | \$ 3,534,999 | \$ 270,000 |
| Accretion on capital appreciation bonds | 26,044 | 10,313 | - | 36,357 | - |
| Tax anticipation note | 187,500 | - | 125,000 | 62,500 | 62,500 |
| | <u>\$ 3,993,543</u> | <u>\$ 10,313</u> | <u>\$ 370,000</u> | <u>\$ 3,633,856</u> | <u>\$ 332,500</u> |

Bonds payable will be repaid from the Debt Service Fund. The tax anticipation note will be repaid from the Debt Service Fund.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2015, were as follows:

| Year ending June 30, | Bonds Payable | | Tax Anticipation Note | | Total | |
|-------------------------|---------------------|---------------------|-----------------------|---------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016 | \$ 270,000 | \$ 183,849 | \$ 62,500 | \$ 525 | \$ 332,500 | \$ 184,374 |
| 2017 | 300,000 | 167,974 | - | - | 300,000 | 167,974 |
| 2018 | 320,000 | 148,720 | - | - | 320,000 | 148,720 |
| 2019 | 345,000 | 130,069 | - | - | 345,000 | 130,069 |
| 2020 | 279,999 | 213,856 | - | - | 279,999 | 213,856 |
| 2021 - 2025 | 2,020,000 | 266,080 | - | - | 2,020,000 | 266,080 |
| | <u>\$ 3,534,999</u> | <u>\$ 1,110,548</u> | <u>\$ 62,500</u> | <u>\$ 525</u> | <u>\$ 3,597,499</u> | <u>\$ 1,111,073</u> |

NOTE 10 – BONDS PAYABLE

Bonds payable at year end consisted of:

| | Outstanding June 30, 2014 | Additions | Deductions | Outstanding June 30, 2015 | Due within 1 year |
|--|------------------------------|------------------|-------------------|------------------------------|----------------------|
| General obligation bonds | | | | | |
| School Improvement, (1999) 6.125% through 2024 | \$ 985,000 | \$ - | \$ - | \$ 985,000 | \$ - |
| Building construction, (2001) 5.280% through 2023 | 620,000 | - | 105,000 | 515,000 | 115,000 |
| Refunding bonds, (2006) 4.000% through 2024 | 1,440,000 | - | 130,000 | 1,310,000 | 145,000 |
| Refunding bonds, (2011) Term and serial bonds 2.9% - 3.8% through 2024 | 680,000 | - | 10,000 | 670,000 | 10,000 |
| Capital appreciation bonds 3.9% - 3.8% through 2020 | 54,999 | - | - | 54,999 | - |
| Accretion on capital appreciation bonds | 26,044 | 10,313 | - | 36,357 | - |
| | <u>\$ 3,806,043</u> | <u>\$ 10,313</u> | <u>\$ 245,000</u> | <u>\$ 3,571,356</u> | <u>\$ 270,000</u> |

At June 30, 2015, \$ 1,325,000 of the 1999 general obligation bonds and \$ 775,000 of the 2001 general obligation bonds are considered to be defeased.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - NOTES PAYABLE

Notes payable during the year consisted of the following tax anticipation notes:

| | <u>Outstanding June 30, 2014</u> | <u>Additions</u> | <u>Deductions</u> | <u>Outstanding June 30, 2015</u> | <u>Due within 1 year</u> |
|---------------------------------|--------------------------------------|------------------|-------------------|--------------------------------------|------------------------------|
| Long-term | | | | | |
| Tax anticipation note, 3.36% | | | | | |
| issued 6/30/2013, due 7/10/2015 | <u>\$ 187,500</u> | <u>\$ -</u> | <u>\$ 125,000</u> | <u>\$ 62,500</u> | <u>\$ 62,500</u> |

NOTE 12 - LEASES

The School District leases certain equipment under non-cancelable leases. The School District disbursed \$ 41,918 to pay lease costs for the fiscal year ended June 30, 2015. Future lease payments are as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|---------------------------------|------------------|
| 2016 | \$ 41,919 |
| 2017 | 17,601 |
| 2018 | 17,602 |
| 2019 | 17,602 |
| Total | <u>\$ 94,724</u> |

NOTE 13 - SET-ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves for capital maintenance during fiscal year 2015.

| | <u>Capital Maintenance</u> |
|-------------------------|--------------------------------|
| Balance, July 1, 2014 | \$ 127,091 |
| Required set aside | 297,926 |
| Offsetting credits | (117,277) |
| Qualifying expenditures | <u>(78,357)</u> |
| Balance June 30, 2015 | <u>\$ 229,383</u> |

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance 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 | | | | |
| Debt service | \$ - | \$ 269,694 | \$ - | \$ 269,694 |
| Food service operations | - | - | 151,823 | 151,823 |
| Extracurricular | - | - | 30,984 | 30,984 |
| State grants | - | - | 13,500 | 13,500 |
| Federal grants | - | - | 21,211 | 21,211 |
| Capital outlay | - | - | 23,828 | 23,828 |
| Other donations | - | - | 30,570 | 30,570 |
| Capital maintenance | - | - | 164,907 | 164,907 |
| Set asides | 229,383 | - | - | 229,383 |
| Total restricted | <u>229,383</u> | <u>269,694</u> | <u>436,823</u> | <u>935,900</u> |
| Assigned for | | | | |
| Encumbrances | 63,146 | - | - | 63,146 |
| Other purposes | 101,810 | - | - | 101,810 |
| Total assigned | <u>164,956</u> | <u>-</u> | <u>-</u> | <u>164,956</u> |
| Unassigned | <u>581,320</u> | <u>-</u> | <u>-</u> | <u>581,320</u> |
| Total fund balances | <u>\$ 975,659</u> | <u>\$ 269,694</u> | <u>\$ 436,823</u> | <u>\$ 1,682,176</u> |

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. NORTH COAST COUNCIL

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

The Council is governed by a board of directors chosen from the general membership of the Council 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, 2015, the School District paid \$ 155,303 to the Council.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 15 - 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, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2015, the School District paid \$ 1,792,781 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 196 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 the Executive Director at the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, 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. Compass Energy has been selected as the supplier and program manager. There are currently 151 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.

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 16 - INTERFUND TRANSFERS AND ADVANCES

Interfund transfers during the year ended June 30, 2015 consisted of the following:

| | |
|-------------------|--------------------------------|
| | Transfer from: General Fund |
| Transfer to: | |
| Debt Service Fund | \$ 127,666 |

Interfund transfers to the Debt Service Fund were made for debt service principal and interest payments.

Interfund advances during the year ended June 30, 2015 consisted of the following:

| | General Fund | Advance from: Nonmajor Governmental Funds | Total |
|-----------------------------|--------------|--|-----------|
| Advance to: | | | |
| General Fund | \$ - | \$ 13,296 | \$ 13,296 |
| Nonmajor governmental funds | 10,450 | - | 10,450 |
| | \$ 10,450 | \$ 13,296 | \$ 23,746 |

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS

A. NET PENSION LIABILITY

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

B PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS (continued)

B PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

Age and service requirements for retirement are as follows:

| | Eligible to retire on or before August 1, 2017* | Eligible to retire on or after August 1, 2017* |
|------------------------------|---|--|
| Full benefits | Any age with 30 years if service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$ 310,988 for fiscal year 2015.

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS (continued)

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among 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. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$ 952,431 for fiscal year 2015.

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS (continued)

D. NET PENSION LIABILITY

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------|-------------|--------------|
| Proportionate share of the net pension liability | \$ 3,519 | \$ 16,635 | \$ 20,154 |
| Proportion of the net pension liability | 0.069523% | 0.068390% | |

E. ACTUARIAL ASSUMPTIONS - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

| | |
|--|--|
| Wage inflation | 3.25 percent |
| Future salary increases, including inflation | 4.00 percent to 22 percent |
| COLA of Ad Hoc COLA | 3 percent |
| Investment rate of return | 7.75 percent net of investments expense, including inflation |
| Actuarial cost method | Entry age normal |

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|------------------------|--------------------------|---|
| Cash | 1.00% | 0.00% |
| U.S. stocks | 22.50% | 5.00% |
| Non- U.S. stocks | 22.50% | 5.50% |
| Fixed income | 19.00% | 1.50% |
| Private equity | 10.00% | 10.00% |
| Real assets | 10.00% | 5.00% |
| Multi-asset strategies | 15.00% | 7.50% |
| Total | <u>100.00%</u> | |

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

| | 1% Decrease 6.75% | Current Discount Rate 7.75% | 1% Increase 8.75% |
|--|----------------------|-----------------------------------|----------------------|
| School District's proportionate share of the net pension liability | \$ 5,020 | \$ 3,519 | \$ 2,256 |

F. ACTUARIAL ASSUMPTIONS - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|--|
| Inflation | 2.75 percent |
| Projected salary increases | 2.75 percent at age 70 to 12.25 percent at age 20 |
| Investment rate of return | 7.75 percent net of investments expense |
| Cost of living adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS (continued)

F. ACTUARIAL ASSUMPTIONS – STRS (continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic equity | 31.00% | 8.00% |
| International equity | 26.00% | 7.85% |
| Alternatives | 14.00% | 8.00% |
| Fixed income | 18.00% | 3.75% |
| Real estate | 10.00% | 6.75% |
| Liquidity reserves | 1.00% | 3.00% |
| Total | <u>100.00%</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | <u>1% Decrease 6.75%</u> | <u>Current Discount Rate 7.75%</u> | <u>1% Increase 8.75%</u> |
|--|------------------------------|--|------------------------------|
| School District's proportionate share of the net pension liability | <u>\$ 23,815</u> | <u>\$ 16,635</u> | <u>\$ 10,563</u> |

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 18 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

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.

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 2014 (the most recent information available) was \$104.90 for most participants, but could be as high as \$ 335.70 per month depending on their income. SERS' reimbursement to retirees was \$ 45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014 (the most recent information available) , the actuarially required allocation is .76%. The School District's contributions for the years ended June 30, 2015, 2014 and 2013 were \$ 16,887, \$ 14,802 and \$ 14,743 respectively; \$ 15,401 (91.2%) has been contributed for fiscal year 2015 and 100% has been contributed for fiscal years 2014, and 2013.

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, 2014, the health care allocation is .14%. 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. Statutes provide 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 2015, the minimum compensation level was established at \$ 20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ended June 30, 2015, 2014, and 2013 were \$ 19,992, \$ 19,224, and \$ 19,147, respectively; \$ 18,233 (91.2%) has been contributed for fiscal year 2015 and 100% has been contributed for fiscal years 2014 and 2013.

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.ohser.org under Employers/Audit Resources.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 18 - POSTEMPLOYMENT BENEFITS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM

Plan Description - STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment health care. For years ended June, 30, 2014 and 2013, of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contribution for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$ 0, \$ 70,479, and \$ 70,337, respectively; 100% has been contributed for fiscal years 2014 and 2013.

NOTE 19 - CONTINGENCIES

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

Any disallowed claims resulting from such audits could become the responsibility 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 School District at June 30, 2015.

NOTE 20 – CONTRACTUAL COMMITMENTS

At June 30, 2015 the School District had contractual commitments of \$ 47,200 for computer hardware and installation and \$ 8,600 for cabling.

Clearview Local School District
Schedule of Federal Awards Receipts and Expenditures
For the Year Ending June 30, 2015

| Federal Grantor/Pass Through Grantor/Program Title | CFDA Number | Federal Receipts | Federal Disbursements |
|---|----------------|---------------------|--------------------------|
| <u>U.S. Department of Agriculture</u> | | | |
| Nutrition Cluster: | | | |
| Pass through Ohio Department of Education: | | | |
| National School Lunch Program | 10.555 | \$ 569,135 | \$ 569,135 |
| Breakfast Program | 10.553 | 363,659 | 363,659 |
| Direct Program: | | | |
| Non-Cash Assistance: | | | |
| National School Lunch Program - Food Commodities - Note 2 | 10.555 | 41,321 | 41,321 |
| Total Nutrition Cluster | | <u>974,115</u> | <u>974,115</u> |
| Total U.S. Department of Agriculture | | 974,115 | 974,115 |
| <u>U.S. Department of Education</u> | | | |
| Pass through Ohio Department of Education | | | |
| Race to the Top - Stimulus | | | |
| Race to the Top FY 14 - Stimulus | 84.395 | 1,575 | 4,076 |
| Race to the Top FY 15 - Stimulus | 84.395 | 2,054 | 5,586 |
| Total Race to the Top - Stimulus | | <u>3,629</u> | <u>9,662</u> |
| ESEA Title I, Part A, Title I Grants to Local Education Agencies | | | |
| Title I - FY 14 | 84.010 | 67,863 | 130,829 |
| Title I - FY 15 | 84.010 | 399,552 | 419,297 |
| Total Title I - Grants to Local Education Agencies | | <u>467,415</u> | <u>550,126</u> |
| Title VI - B, Special Education - Assistance to States for Education of Handicapped Children | | | |
| Title VI - B - FY 14 | 84.027 | 55,339 | 45,708 |
| Title VI - B - FY 15 | 84.027 | 258,133 | 258,508 |
| Total Title VI - B | | <u>313,472</u> | <u>304,216</u> |
| Title II-A | | | |
| Improv. Teacher Quality - FY14 | 84.367 | 2,632 | (3) |
| Improv. Teacher Quality - FY15 | 84.367 | 65,293 | 75,066 |
| Total Title II-A | | <u>67,925</u> | <u>75,063</u> |
| Total U.S. Department of Education | | 852,441 | 939,067 |
| <u>U.S. Department of Transportation</u> | | | |
| Pass through Ohio Department of Transportation: | | | |
| Safe Routes to School | 20.205 | 6,253 | 2,346 |
| Total U.S. Department of Transportation | | <u>6,253</u> | <u>2,346</u> |
| Total Federal Awards | | <u>\$ 1,832,809</u> | <u>\$ 1,915,528</u> |

See accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Clearview Local School District (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 values. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITORS' 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clearview Local School District, Lorain County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted a new accounting guidance in Governmental Accounting Standards Board Statement No. 68, "*Accounting and Financial Reporting for Pensions*".

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2015-001.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
November 6, 2015

**INDEPENDENT AUDITORS' 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:

Report on Compliance for the Major Federal Program

We have audited the Clearview Local School District's (the District) compliance with the applicable 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, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Clearview Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
November 6, 2015

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|--|
| (d)(1)(i) | <i>Type of Financial Statement Opinion</i> | Unmodified |
| (d)(1)(ii) | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(ii) | <i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(iii) | <i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i> | Yes |
| (d)(1)(iv) | <i>Were there any material internal control weaknesses reported for major federal programs</i> | No |
| (d)(1)(iv) | <i>Were there any significant deficiencies reported for major federal programs?</i> | No |
| (d)(1)(v) | <i>Type of Major Programs' Compliance Opinion</i> | Unmodified |
| (d)(1)(vi) | <i>Are there any reportable findings under Section .510 (a)</i> | No |
| (d)(1)(vii) | <i>Major Programs:</i> | <u><i>Title VI-B:</i></u> Special Education - CFDA # 84.027 <u><i>Child Nutrition Cluster:</i></u> National School Lunch Program – CFDA #10.555; National School Breakfast Program – CFDA #10.553 |
| (d)(1)(viii) | <i>Dollar Threshold: Type A/B Programs</i> | Type A: > \$300,000 Type B: all others |
| (d)(1)(ix) | <i>Low Risk Auditee?</i> | No |

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505**

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

FINDING NUMBER 2015-001: Noncompliance

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District did not report the financial activity of the District in accordance with generally accepted accounting principles for fiscal year ending June 30, 2015. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

The Board of Education should review the standards and ensure preparation of its financial statements in accordance with AICPA's Audit and Accounting Guide Audits of State and Local Governments. The Board of Education should ensure the financial statements are prepared in accordance with the Ohio Administrative Code and the Ohio Revised Code. Implementation of these procedures would help ensure accurate and timely financial statements are available to the District's community.

Official's Response:

As one of the many cost cutting items identified for 2015, the Board agreed with the Treasurer's recommendation to suspend the preparation and compilation of the traditional GAAP reports due to its high cost versus the limited value and usage of these reports.

3. FINDINGS FOR FEDERAL AWARDS

None

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|---|
| 2014-01 | Ohio Revised Code § 117.38 and Administrative Code § 117-2-03 (B) – for not preparing its annual financial report in accordance with generally accepted accounting principles. | No | Not corrected. Reissued as finding 2015-001. |

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Dave Yost • Auditor of State

CLEARVIEW LOCAL SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 26, 2016**