



**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of the Clearview Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Clearview Local School District, Lorain County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principals.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 1, 2000

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Clearview Local School District
Lorain County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets				
Cash and Cash Equivalents	\$3,240,335	\$377,428	\$28,043	\$1,180,687
Receivables:				
Taxes	1,356,004	291,905	168,193	107,262
Accounts	0	0	0	0
Intergovernmental Receivable	1,037	0	0	0
Interfund Receivable	85,000	0	0	0
Inventory Held For Resale	0	0	0	0
Inventory	22,585	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	145,676	0	0	0
Fixed Assets (Net of Accumulated Depreciation In Enterprise Funds)	0	0	0	0
Construction In Progress	0	0	0	0
Other Debits:				
Amount in Debt Service for Bond Ret.	0	0	0	0
Amount To Be Provided	0	0	0	0
Total Assets	<u>\$4,850,637</u>	<u>\$669,333</u>	<u>\$196,236</u>	<u>\$1,287,949</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities				
Accounts and Contracts Payable	\$1,709	\$550	\$0	\$187,326
Inergovernmental Payable	0	7,000	0	0
Accrued Wages and Benefits	975,602	165,604	0	0
Compensated Absences Payable	14,296	0	0	0
Deferred Revenue	1,150,643	243,007	139,525	89,172
Interfund Payable	0	15,000	70,000	0
Due to Others	0	0	0	0
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>2,142,250</u>	<u>431,161</u>	<u>209,525</u>	<u>276,498</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Unreserved Retained Earnings	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	154,849	85,546	0	597,166
Reserved for Inventory	22,585	0	0	0
Reserved for Property Taxes	205,361	48,898	28,668	18,090
Reserved for Budget Stabilization	145,676	0	0	0
Unreserved, Undesignated	2,179,916	103,728	(41,957)	396,195
Total Fund Equity and Other Credits	<u>2,708,387</u>	<u>238,172</u>	<u>(13,289)</u>	<u>1,011,451</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,850,637</u>	<u>\$669,333</u>	<u>\$196,236</u>	<u>\$1,287,949</u>

See Notes to General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$222,261	\$16,047	\$0	\$0	\$5,064,801
0	0	0	0	1,923,364
130	548	0	0	678
0	0	0	0	1,037
0	0	0	0	85,000
6,837	0	0	0	6,837
0	0	0	0	22,585
0	0	0	0	145,676
18,914	0	4,786,127	0	4,805,041
0	0	2,170,361	0	2,170,361
0	0	0	28,043	28,043
0	0	0	4,141,347	4,141,347
\$248,142	\$16,595	\$6,956,488	\$4,169,390	\$18,394,770
\$0	\$354	\$0	\$0	\$189,939
0	0	0	0	\$7,000
48,326	0	0	205,387	1,394,919
14,292	0	0	704,003	732,591
8,611	0	0	0	1,630,958
0	0	0	0	85,000
0	1,880	0	0	1,880
0	14,361	0	0	14,361
0	0	0	3,260,000	3,260,000
71,229	16,595	0	4,169,390	7,316,648
0	0	6,956,488	0	6,956,488
176,913	0	0	0	176,913
0	0	0	0	837,561
0	0	0	0	22,585
0	0	0	0	301,017
0	0	0	0	145,676
0	0	0	0	2,637,882
176,913	0	6,956,488	0	11,078,122
\$248,142	\$16,595	\$6,956,488	\$4,169,390	\$18,394,770

Clearview Local School District
Lorain County
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues					
Taxes	\$1,583,722	\$327,232	\$118,594	\$121,162	\$2,150,710
Tuition	435,770	0	0	0	435,770
Earnings on Investments	219,197	0	126	147,877	367,200
Extracurricular Activities	0	132,184	0	0	132,184
Intergovernmental	5,353,262	969,397	11,112	25,834	6,359,605
Other	5,860	79,859	0	0	85,719
Total Revenues	7,597,811	1,508,672	129,832	294,873	9,531,188
Expenditures					
Current:					
Regular Instruction	3,823,758	603,421	0	86,489	4,513,668
Special Instruction	594,451	415,560	0	0	1,010,011
Vocational and Other Instruction	189,419	0	0	0	189,419
Adult Continuing	0	4,704	0	0	4,704
Support Services:					
Pupil Services	420,027	89,428	0	0	509,455
Instructional Staff	315,662	61,358	0	90,643	467,663
Board of Education	17,387	0	0	0	17,387
Administration	819,603	23,019	0	591	843,213
Business and Fiscal Services	280,836	5,520	1,632	13,975	301,963
Plant Operation and Maintenance	697,771	35,612	0	4,268	737,651
Pupil Transportation	224,107	323	0	0	224,430
Central	63,769	25,296	0	0	89,065
Community Services	0	71,100	0	0	71,100
Extracurricular	206,487	85,660	0	0	292,147
Capital Outlay	0	0	0	2,690,521	2,690,521
Debt Service:					
Debt Service-Interest	0	0	142,532	0	142,532
Total Expenditures	7,653,277	1,421,001	144,164	2,886,487	12,104,929
Excess Revenues Over (Under) Expenditures	(55,466)	87,671	(14,332)	(2,591,614)	(2,573,741)
Other Financing Sources (Uses)					
Refund of Prior Year's Expenditure	6,083	0	0	3,435	9,518
Proceeds from Sale of Bonds	0	0	1,043	3,260,000	3,261,043
Total Other Financing Sources (Uses)	6,083	0	1,043	3,263,435	3,270,561
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(49,383)	87,671	(13,289)	671,821	696,820
Fund Balances at Beginning of Year	2,765,302	150,501	0	339,630	3,255,433
Decrease in Reserve for Inventory	(7,532)	0	0	0	(7,532)
Fund Balances at End of Year	\$2,708,387	\$238,172	(\$13,289)	\$1,011,451	\$3,944,721

See Notes to General Purpose Financial Statements

**Clearview Local School District
Lorain County**

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
General Fund
For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues			
Taxes	\$1,562,899	\$1,602,515	\$39,616
Interest	180,000	219,197	39,197
Tuition	447,334	437,426	(9,908)
Intergovernmental	4,722,525	5,356,842	634,317
Miscellaneous	13,705	5,877	(7,828)
	6,926,463	7,621,857	695,394
Expenditures			
Current:			
Regular Instruction	3,824,381	3,815,284	9,097
Special Instruction	585,064	574,879	10,185
Vocational	192,371	187,860	4,511
Supporting Services:			
Pupil Services	401,262	392,616	8,646
Instructional Staff	356,533	340,478	16,055
Board of Education	19,637	17,387	2,250
Administration	817,209	801,868	15,341
Fiscal Services	225,837	216,823	9,014
Business	79,944	73,876	6,068
Operation & Plant Maintenance	752,024	721,513	30,511
Pupil Transportation	238,367	228,329	10,038
Central	106,073	103,726	2,347
Extracurricular	210,899	207,029	3,870
	7,809,601	7,681,668	127,933
Excess of Revenues Over (Under) Expenditures	(883,138)	(59,811)	823,327
Other Financing Sources (Uses)			
Operating Transfers-In	53,727	53,727	0
Advances-In	61,450	61,450	0
Refund of Prior Year's Expenditures	6,083	6,083	0
Operating Transfers-Out	(55,000)	(53,727)	1,273
Advances-Out	(85,000)	(85,000)	
Other Financing Uses	(7,589)	0	7,589
	(26,329)	(17,467)	8,862
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(909,467)	(77,278)	832,189
Fund Balance at Beginning of Year	3,156,066	3,156,066	0
Prior Year Encumbrances Appropriated	150,665	150,665	0
	\$2,397,264	\$3,229,453	\$832,189
Fund Balance at End of Year	\$2,397,264	\$3,229,453	\$832,189

See Notes to General Purpose Financial Statements

Clearview Local School District

Lorain County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Non-GAAP Basis)

All Governmental Fund Types

Special Revenue Funds

For the Fiscal Year Ended June 30, 2000

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Revenues			
Taxes	\$377,883	\$333,528	(\$44,355)
Extracurricular	132,289	132,289	0
Intergovernmental	1,145,449	1,122,160	(23,289)
Miscellaneous	79,859	79,859	0
Total Revenues	1,735,480	1,667,836	(67,644)
Expenditures			
Current:			
Regular Instruction	639,960	589,589	50,371
Special Instruction	499,533	423,068	76,465
Vocational	1,142	0	1,142
Adult	10,338	10,338	0
Supporting Services:			
Pupil Services	106,259	88,935	17,324
Instructional Staff	94,478	67,574	26,904
Administration	27,189	23,089	4,100
Fiscal Services	8,436	5,520	2,916
Pupil Transportation	400	323	77
Operation & Plant Maintenance	35,612	35,612	0
Central	25,297	25,297	0
Non-Instructional Services	114,339	77,058	37,281
Extracurricular	120,867	112,291	8,576
Total Expenditures	1,683,850	1,458,694	225,156
Excess of Revenues Over (Under) Expenditures	51,630	209,142	157,512
Other Financing Sources (Uses)			
Advances-In	15,000	15,000	0
Advances-Out	(61,450)	(61,450)	0
Total Other Financing Sources (Uses)	(46,450)	(46,450)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	5,180	162,692	157,512
Fund Balance at Beginning of Year	100,273	100,273	0
Prior Year Encumbrances Appropriated	21,367	21,367	0
Fund Balance at End of Year	\$126,820	\$284,332	\$157,512

See Notes to General Purpose Financial Statements

Clearview Local School District

Lorain County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Non-GAAP Basis)

All Governmental Fund Types

Debt Service Fund

For the Fiscal Year Ended June 30, 2000

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Revenues			
Taxes	\$87,569	\$89,926	\$2,357
Interest	126	126	0
Intergovernmental	<u>11,112</u>	<u>11,112</u>	<u>0</u>
Total Revenues	98,807	101,164	2,357
Expenditures			
Current:			
Fiscal Services	15,000	1,631	13,369
Debt Service:			
Debt Service-Principal	3,260,000	3,260,000	0
Debt Service-Interest	<u>154,850</u>	<u>142,533</u>	<u>12,317</u>
Total Expenditures	<u>3,429,850</u>	<u>3,404,164</u>	<u>25,686</u>
Excess of Revenues Over (Under) Expenditures	(3,331,043)	(3,303,000)	28,043
Other Financing Sources (Uses)			
Proceeds from the Sale of Bonds	3,261,043	3,261,043	0
Advances-In	<u>70,000</u>	<u>70,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>3,331,043</u>	<u>3,331,043</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	28,043	28,043
Fund Balance at Beginning of Year	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$0</u></u>	<u><u>\$28,043</u></u>	<u><u>\$28,043</u></u>

See Notes to General Purpose Financial Statements

Clearview Local School District
Lorain County
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types
Capital Projects Funds
 For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues			
Taxes	\$117,150	\$122,900	\$5,750
Interest	120,522	147,878	27,356
Intergovernmental	25,834	25,834	0
Total Revenues	263,506	296,612	33,106
Expenditures			
Current:			
Regular Instruction	114,712	113,491	1,221
Supporting Services:			
Instructional Staff	132,135	99,615	32,520
Administration	2,500	591	1,909
Fiscal Services	2,500	2,042	458
Business	30,000	29,698	302
Plant Operation and Maintenance	17,500	4,268	13,232
Capital Outlay	3,252,305	3,245,601	6,704
Total Expenditures	3,551,652	3,495,306	56,346
Excess of Revenues Over (Under) Expenditures	(3,288,146)	(3,198,694)	89,452
Other Financing Sources (Uses)			
Proceeds from the Sale of Notes	3,260,000	3,260,000	0
Refund of Prior Year's Expenditures	4,185	4,185	0
Total Other Financing Sources (Uses)	3,264,185	3,264,185	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(23,961)	65,491	89,452
Fund Balance at Beginning of Year	266,998	266,998	0
Prior Year Encumbrances Appropriated	63,705	63,705	0
Fund Balance at End of Year	\$306,742	\$396,194	\$89,452

See Notes to General Purpose Financial Statements

**Clearview Local School District
Lorain County**

Combined Statement of Revenues, Expenses
and Changes in Retained Earnings

Proprietary Fund Type

For the Fiscal Year Ended June 30, 2000

	<u>Enterprise</u>
Operating Revenues	
Sales	\$166,859
Other	12,783
	<hr/>
Total Operating Revenues	179,642
Operating Expenses	
Salaries	190,410
Fringe Benefits	61,440
Purchased Services	13,904
Supplies and Materials	184,289
Other	6,305
Depreciation	4,127
	<hr/>
Total Operating Expenses	460,475
Operating Loss	(280,833)
Non-Operating Revenues	
Interest	9,092
Federal and State Subsidies	221,897
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Total Non-Operating Revenues	230,989
Net Income	(49,844)
Net Increase in Retained Earnings	(49,844)
Retained Earnings at Beginning of Year	226,757
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Retained Earnings at End of Year	\$176,913
	<hr/>

See Notes to General Purpose Financial Statements

Clearview Local School District
Lorain County
 Combined Statement of Cash Flows
Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2000

	<u>Enterprise</u>
Cash Flows From Operating Activities	
Operating Income (Loss)	(\$280,833)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:	
Depreciation	4,127
(Increase) Decrease In Assets:	
Accounts Receivable	325
Inventories	(631)
Increase (Decrease) In Liabilities:	
Accounts Payable	(1,620)
Accrued Wages and Benefits Payable	5,451
Total Adjustments	<u>7,652</u>
Net Cash Provided By (Used In) Operating Activities	(273,181)
Cash Flows From Non-Capital Financing Activities	
Interest	9,092
Non-Operating Grants	<u>270,497</u>
Net Cash Provided By Non-Capital Financing Activities	279,589
Cash Flows From Capital and Related Financing Activities	
Purchase of Fixed Assets	<u>(12,672)</u>
Net Increase(Decrease) in Cash & Cash Equivalents	(6,264)
Cash And Cash Equivalents, Beginning of Year	<u>228,525</u>
Cash And Cash Equivalents, End of Year	<u><u>\$222,261</u></u>

See Notes to General Purpose Financial Statements

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 1: Summary of Significant Accounting Policies

Reporting Entity: The Clearview Local School District is a school district corporation governed by an elected Board of Education. The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, department, boards and agencies that are not legally separate from the District. For Clearview Local School District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units.

The District is associated with certain organizations which are defined as Jointly Governed Organizations. These Organizations are discussed in Note 4.

Measurement Focus, Basis of Accounting and Basis of Presentation: The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The government has the following fund types and account groups:

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The District considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, if any, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property tax revenues, tuition revenues, grant revenues, interest revenues, and classroom materials and fees are susceptible to accrual.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 1: Summary of Significant Accounting Policies - continued

Governmental funds include the following fund types:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

The debt service fund accounts for the servicing of general long-term debt.

The capital projects funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989.

Proprietary funds include the following fund type:

The enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others.

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity and do not involve the measurement of results of operations.

Account groups. The general fixed assets account group is used to account for fixed assets not accounted for in proprietary funds. The general long-term debt account group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary funds.

Assets, Liabilities and Fund Equity

Cash and Investments: The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investment procedures are restricted by provisions of the Ohio Revised Code.

Purchased investments are valued at cost and do not effect fund equity when purchased or redeemed.

During fiscal year 2000, the District invested funds in the State Treasury Assets Reserve (STAROhio), bonds, and commercial paper. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio is not

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 1: Summary of Significant Accounting Policies – continued

registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2000.

Receivables and Payables: Property taxes are levied and assessed on a calendar year basis. Property taxes include amounts levied against real, public utility, and tangible personal property located in the District.

Outstanding loans between funds are presented in these accompanying financial statements as interfund receivables and interfund payables.

Restricted Assets: Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. For fiscal year 2000 the District's reserve amount is \$145,676. This reserve is required by State statute and can be used only after receiving approval from the Ohio Department of Education. A fund balance reserve has also been established.

Inventories: Inventories are valued at cost using the first in/first out method. The costs of governmental fund type inventories are recorded as expenditures when purchased. Governmental fund-type inventories, on hand at year-end, are offset by a fund balance reserve which indicates they do not constitute available spendable resources even though they are a component of assets.

Proprietary fund type inventory costs are charged to operations when consumed.

Fixed Assets and Depreciation: Property, plant, and equipment items are stated on the basis of cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Infrastructure including driveways, sidewalks, parking lots, lighting systems, drainage systems, and landscaping are not capitalized. Assets costing less than five hundred dollars (\$500) are not capitalized. The cost of normal maintenance and repairs is charged to operations as incurred. Assets in the general fixed assets account group are not depreciated. Proprietary fund assets are depreciated using the straight-line method over various useful lives that range from eight to twenty years.

Compensated Absences: Employees earn vacation in accordance with the following:

Administrators	Twenty days per year
Certificated	Ineligible for vacation
Non-Certificated	Ten to twenty days per year depending on years of service

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitation, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave to a maximum payout of fifty-two days. Sick leave is calculated using the vesting method.

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, or sabbatical leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 1: Summary of Significant Accounting Policies - continued

its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in the general long-term debt account group.

In the proprietary funds compensated absences are recorded as an expense and liability of the fund that will pay for them.

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund, and as a reduction of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Fund Balance Reserves: The District records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, property taxes and budget stabilization. Under Ohio law, the reserve for budget stabilization is established for certain revenues but is not expendable without permission of the Ohio Department of Education.

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

Memorandum Only - Total Columns: Total columns on the general purpose financial statements are captioned as "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

Note 2: Stewardship, Compliance and Accountability

The Board of Education is required, by Ohio Revised Code, to adopt an annual budget for all funds, other than agency funds.

Budget: A budget of estimated cash receipts and disbursements is adopted by January 15 and submitted to the county auditor, as secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources: The County Budget Commission certifies its actions to the District. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to fiscal year end, the District must revise its budget so that the

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 2: Stewardship, Compliance and Accountability - continued

total contemplated expenditures from a fund during the year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types", do not include July 1, 1999 unencumbered fund balances. However, those fund balances are available for appropriations. The amounts reported in the budgetary statements reflect the final budget figures.

Appropriations: Appropriations may be defined as expenditure authorization and are synonymous with budget within the Budget and Actual presentations. A temporary appropriation measure to control the cash disbursements may be passed prior to passage of the annual appropriation measure. An annual appropriation measure is passed for the current fiscal year at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. The appropriation measure may be amended or supplemented during the year as new information becomes available. Amendments are formally approved by the Board of Education.

Several amendments and supplements were enacted during the fiscal year. The amounts reported in the budgetary statements reflect final amended appropriations. Appropriations may not exceed estimated resources and expenditures plus encumbrances may not exceed appropriations at the legal level.

Encumbrances: The District is required to use, by Ohio law, the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. Encumbrances at year-end have been presented as reservations of fund balances.

The fund balances at the beginning of the fiscal year, in the combined "Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)", reflect cash basis fund balances and have not been reduced for outstanding encumbrances. The encumbrance balances at the beginning of the fiscal year were: General Fund \$150,665, Special Revenue Funds \$21,367, and Capital Projects Funds \$63,705.

Budgetary Basis of Accounting: The District's budgetary process is based upon accounting for transactions on the budget basis. The difference between budget basis and modified accrual (GAAP) basis are that revenues are recorded when received in budget as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid or encumbered (budget) as opposed to when incurred (GAAP). Encumbrances are treated as expenditures for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 2: Stewardship, Compliance and Accountability – continued

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ (49,383)	\$ 87,671	\$ (13,289)	\$ 671,821
Net Adjustments for Revenue Accruals	24,046	159,163	(28,667)	1,739
Net Adjustments for Expenditure Accruals	(28,391)	(37,692)	(1)	(608,819)
Net Adjustments for Interfund Loan Transactions	(23,550)	(46,450)	70,000	750
Net Adjustment for Note Proceeds	0	0	3,260,000	0
Net Adjustment for Note Retirement	<u>0</u>	<u>0</u>	<u>(3,260,000)</u>	<u>0</u>
Budget Basis	<u>\$ (77,278)</u>	<u>\$ 162,692</u>	<u>\$ 28,043</u>	<u>\$ 65,491</u>

At June 30, 2000, the Debt Service fund had a deficit fund balance \$13,289 which was caused by the application of generally accepted accounting principles. The General fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 3: Cash and Investments

Cash and Cash Equivalents and Investments: The District maintains a cash and investment pool used by all funds. Each fund type's portion is displayed on the "Combined Balance Sheet - All Fund Types and Account Groups" as cash and cash equivalents.

Legal Requirements: Deposits and investments are restricted by provisions of the Ohio Revised Code. Statutes require the classification of monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 that are not required for use within the current two-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 deposits are deposits of interim monies. 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

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 3: Cash and Investments – continued

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.

Inactive and interim monies are permitted to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities 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 issuance's of federal government agencies or instrumentalities;
2. 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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
3. Bonds and other obligations of the State of Ohio and any of its subdivisions;
4. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
5. The State Treasurer's investment pool (STAROhio).
6. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eight days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
7. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 within the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 3: Cash and Investments - continued

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.

Deposits: At year-end, the carrying amount of the District's deposits was \$411,679 and the bank balance was \$578,049. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$478,049 was uncollateralized and uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at year-end.

Category 1 includes investments that are insured or registered or for which the securities are held by the District.

Category 2 includes uninsured and unregistered investments for which securities are held by the financial institution's trust department or agent in the District's name.

Category 3 includes uninsured and unregistered investments for which securities are held by the financial institution or by its trust department but not in the District's name.

Security	Category		Carrying Value	Fair Value
	2	3		
FNMA	\$995,265	0	\$993,162	\$993,880
FHLB	991,140	0	991,742	991,140
Money Market Fund	70,105	0	70,105	70,105
Commercial Paper	348,305	0	345,867	348,305
Categorization:				
Investments in State				
Treasurer's Investment Pool	0	0	2,397,922	2,397,922
Total Investments	\$2,404,815	\$0	\$4,798,798	\$4,801,352

Note 4: Jointly Governed Organizations

A. Lorain County Joint Vocational School District

The Lorain County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each participating school district's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Lorain County Joint Vocational School District is not part of the District and its operations are not included as part of the reporting entity. Financial information can be obtained by contacting the Treasurer at the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio.

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 4: Jointly Governed Organizations - continued

B. Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization among thirty Districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of the superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA assembly. The Board of Directors consists of a representative from the fiscal agent, and the chairman of each of the operating committees, and at least one Assembly member from each county in which the participating Districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio.

C. Lake Erie Regional Council (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of thirteen school 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, driver education, food service and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge except for insurance. The LERC assembly consists of a superintendent or designated representative from each participating school 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 school 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, who serves at fiscal agent, at 1885 Lake Avenue, Elyria, Ohio.

Note 5: Fixed Assets

A summary of changes in general fixed assets is as follows:

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2000</u>
Land	\$ 31,460	\$ -	\$ -	\$ 31,460
Building and Improvements	2,477,627	-	-	2,477,627
Furniture, Fixtures and Equipment	1,759,099	101,731	21,855	1,838,975
Vehicles	438,065	-	-	438,065
Construction In Progress	<u>0</u>	<u>2,170,361</u>	<u>0</u>	<u>2,170,361</u>
TOTAL	<u>\$4,706,251</u>	<u>\$2,272,092</u>	<u>\$21,855</u>	<u>\$ 6,956,488</u>

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 5: Fixed Assets - continued

A summary of enterprise fund fixed assets as of June 30, 2000 is as follows:

Furniture, Fixtures and Equipment	\$ 136,375
Less Accumulated Depreciation	(117,461)
Net Fixed Assets	<u>\$ 18,914</u>

Note 6: Note Debt

The change in Note Debt was as follows:

	Principal Outstanding June 30, 1999	Issued	Outstanding Retired	Principal Outstanding June 30, 2000
Debt Service: Bond Anticipation Notes 4.2%	\$0	\$3,260,000	\$3,260,000	\$0

Note 7: Long-Term Debt

Outstanding bonds were issued to provide funds for the acquisition and construction of equipment and facilities and are general obligations of the District for which its full faith, credit, and resources are pledged for repayment. Accordingly, obligations resulting from bond indebtedness are represented within the general long-term debt account group.

Annual requirements to amortize all bonds outstanding on June 30, 2000, including interest payments, are as follows:

Fiscal Year Ending	Principal	Interest	Total
June 30,			
2001	\$0	\$195,975	\$195,975
2002	20,000	195,535	215,535
2003	25,000	194,508	219,508
2004	30,000	193,193	223,193
2005	40,000	191,475	231,475
2006-2010	290,000	918,725	1,208,725
2011-2015	545,000	808,626	1,353,626
2016-2020	895,000	595,173	1,490,173
2021-2025	1,415,000	227,890	1,642,890
TOTALS	\$3,260,000	\$3,521,100	\$6,781,100

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 7: Long-Term Debt – continued

Changes in Long-Term Debt: Changes in General Long-Term Debt are as follows:

	Balance at June 30, 1999	Additions	Reductions	Balance at June 30, 2000
General Obligation Bonds	\$0	\$3,260,000	\$0	\$3,260,000
Compensated Absences and Retirement	839,509	69,881	0	909,390
Total	<u>\$839,509</u>	<u>\$3,329,881</u>	<u>\$0</u>	<u>\$4,169,390</u>

General obligation bonds will be paid from the Debt Service Fund and the compensated absences and retirement will be paid from the General Fund. Changes in compensated absences and retirement are reported net because it is impracticable to calculate additions and reductions separately.

Note 8: Property Taxes

Property taxes include amounts levied annually, on all real and public utility property and business tangible personal property which is located within the District. The Lorain County Auditor is responsible for assessing and remitting these property taxes to the District. The Lorain County Treasurer is responsible for collecting property taxes. Real property taxes collected were based on assessed value equal to thirty-five percent of appraised value. The Lorain County Auditor reappraises real property every six years, which was last completed for 2000. Real property taxes are levied on assessed valuations as of December 31, which is the lien date. Real property taxes, billed one year in arrears, are payable annually or semi-annually. The first payment is due January 20, and the remainder is payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Tangible personal property taxes collected were based on assessed values that represent varying percentages of cost. Tangible personal property taxes are levied on January 1, which is the lien date, of the current year and are due by April 30.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Accrued property taxes receivable represent real property, personal property and public utility taxes, which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available to the District as an advance at June 30, 2000 was \$301,017 and is recognized as revenue and a reservation of fund balance.

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 8: Property Taxes – continued

Since Lorain County assesses and levies property taxes on a calendar basis, the District receives property taxes from two (2) taxing years during the District's fiscal year. The assessed values of real and tangible personal property, upon which property tax receipts for the Fiscal Year Ended June 30, 2000 were based, are as follows:

	1999 Assessed <u>Values</u>	1998 Assessed <u>Values</u>
Residential/Agricultural	\$ 38,095,400	\$ 38,109,830
Commercial/Industrial	20,922,360	20,681,460
Public Utilities	122,160	134,240
Personal Property - General	9,480,120	9,625,890
Personal Property - Public Utilities	<u>4,930,180</u>	<u>4,824,040</u>
Total Assessed Valuation	<u>\$73,550,220</u>	<u>\$ 73,375,460</u>

Note 9: Pension and Retirement Plans

State Teachers Retirement System

Plan Description The District contributes to the State Teachers Retirement Systems (STRS), a cost-sharing multiple-employer defined benefit pension plan. STRS provides retirement and disability benefits, health care benefits and death benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the STRS Board of Trustees. The State Teachers Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to State Teachers Retirement Systems, 275 East Broad Street, Columbus, Ohio 43215.

Funding Policy Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the STRS Board of Trustees. The District's contributions to STRS for the years ending June 30, 2000, 1999, and 1998 were \$623,760, \$554,856, and \$535,972, respectively, equal to the required contributions for each year. For 1999 and 1998 the full amount has been contributed. For 2000, 83% has been contributed with the remainder being reported as a fund liability and within the general long-term obligations account group.

School Employees Retirement System

Plan Description The District also contributes to the School Employees Retirement Plan (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, health care benefits and death benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the SERS Board of Trustees. The School Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 9: Pension and Retirement Plans – continued

Funding Policy Plan members are required to contribute 9.0% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the SERS Board of Trustees. The District's contributions to SERS for the years ending June 30, 2000, 1999, and 1998 were \$199,350, \$141,657, and \$133,447, respectively, equal to the required contributions for each year. For 1999 and 1998 the full amount has been contributed. For 2000, 36% has been contributed with the remainder being reported as a fund liability and within the general long-term obligations account group.

Note 10: Post Employment Benefits

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System, and to retired non-certified employees and their dependents through the School Employees Retirement System.

State Teachers Retirement System (STRS)

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS fund shall be included in the employer contribution rate, currently 14% of covered payroll.

Healthcare benefits are financed on a pay-as-you-go basis. The Board currently allocates employer contributions equal to 2% of covered payroll to health care reserve fund from which payments for health care benefits are paid. The balance in the health care reserve fund was \$2,783 billion at June 30, 1999. For the year ended June 30, 1999, the net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients.

June 30, 1999 is the latest date for which information is available.

School Employees Retirement System (SERS)

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate was 4.98%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay was established as \$12,400. The surcharge rate, added to the unallocated portion of the 14% employer contribution rate

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 10: Post Employment Benefits - continued

provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million.

At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$188.0 million, at cost. The number of participants currently receiving health care benefits is approximately 51,000 statewide.

June 30, 1999 is the latest date for which information is available.

Note 11: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has a comprehensive property and casualty policy with the Travelers/Aetna Insurance Company. The deductible is \$1,000 per incident. Boilers and machinery are insured by The Travelers Insurance Company and have a deductible of \$100. All vehicles are insured with Wasau Insurance Company and have a \$250 deductible. All Board Members, Administrators, and employees are covered under a school district liability policy with Wasau Insurance Company. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 aggregate.

The Board President, Superintendent and Treasurer are covered with surety bonds for \$20,000. These bonds are with Nationwide Insurance Company. Remaining employees who handle money are covered by a commercial coverage crime policy in the amount of \$25,000. This coverage is provided by the United States Fire Insurance Company. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no reduction in coverage from the prior year.

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

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

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 11: Risk Management – continued

The District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee medical/surgical benefits since December 1988. The LERC is a shared risk pool comprised of thirteen Lorain county school districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. Upon termination, all District claims would be paid without regard to the District's account balance. The LERC Board of Directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The District provides a medical/surgical plan, a dental plan and life insurance with separate deductibles for single and family coverage.

Note 12: Segment Information for Enterprise Funds

Segment information for enterprise funds is as follows:

Food Service Fund: Established to account for the purchase and sale of food to students.

Uniform School Supplies Fund: Established to account for the purchase and sale of school supplies that are ultimately purchased for students.

Latchkey Fund: Established to account for activities and supervision of latchkey children.

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Latchkey Program Fund</u>	<u>Total</u>
Operating Revenues	\$ 154,595	\$ 14,652	\$ 10,395	\$ 179,642
Operating Expenses	424,502	23,054	8,792	456,348
Depreciation Expense	4,127	-	-	4,127
Operating Income (Loss)	(274,034)	(8,402)	1,603	(280,833)
Non-Operating Grants	221,897	-	-	221,897
Other Non-operating Revenue	9,092	-	-	9,092
Operating Transfers In	-	-	-	-
Net Income (Loss)	(43,045)	(8,402)	1,603	(49,844)
Fixed Asset Additions	12,672	-	-	12,672
Net Working Capital	151,099	1,690	13,821	166,610
Total Assets	231,502	1,690	14,950	248,142
Total Equity	\$ 161,402	\$ 1,690	\$ 13,821	\$ 176,913

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 13: Contingencies

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agencies. The District has also met the requirements of the Federal Single Audit Act Amendments of 1996 and OMB Circular A-133. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

Note 14: State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$4,909,748 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant[ing] further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

Clearview Local School District
Lorain County
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2000

Note 15: Fund Balance Reserves:

The District records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, property taxes and budget stabilization. Under Ohio law, the reserve for budget stabilization must be established for certain revenues but is not expendable without permission of the Ohio Department of Education.

	Textbook and Instructional Material Reserve	Capital Improvement and Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/99	\$0	\$0	\$90,239	\$90,239
Required Set-Aside	161,180	161,180	55,437	377,797
Offset Credits	(0)	(138,435)	0	(138,435)
Qualifying Expenditures	(165,258)	(158,165)	(0)	(323,423)
Portions of Offset Credits and Qualifying Expenditures Not Permitted to be Carried Forward	4,078	135,420	0	139,498
Balance 06/30/00	\$0	\$0	\$145,676	\$145,676

Note 16: Subsequent Events

On November 7, 2000, the District's residents passed two bonds issues for the construction of additional classrooms and improvements for school buildings in the total amount of \$2,412,000.

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**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Program	Federal CFDA Number	Pass-through Agency Awarding Number	Receipts	Non- Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department of Agriculture						
Passed-through Ohio Department of Education:						
Child Nutrition Cluster:						
Food Distribution	10.550	48132 04-PU		\$21,074		\$20,052
National School Breakfast Program	10.553	48132 05-PU	\$46,916		\$46,916	
National School Lunch Program	10.555	48132 03/04-PU	203,076		203,076	
Total Child Nutrition Cluster/Total United States Department of Agriculture			<u>249,992</u>	<u>21,074</u>	<u>249,992</u>	<u>20,052</u>
United States Department of Education						
Passed-through Ohio Department of Education:						
Special Education Cluster:						
Special Education Grants to States	84.027	48132 6B-SF	77,866		75,645	
Eisenhower Professional Development Grant	84.281	48132 MS-S1	7,578		7,578	
Grants to Local Educational Agencies (Title I)	84.010	48132 C1-S1	513,720		410,109	
Class Size Reduction Subsidy	84.340	48132 CR-S1	26,162		26,833	
Innovative Education Program Strategies	84.298	48132 C2-S1	2,510		1,323	
Goals 2000	84.276	48132 G2-S2	0		7,987	
Comprehensive School Reform Demo	84.332	48132 RF-S1	137,000		93,577	
Drug-Free Schools Grant	84.186	48132 DR-S1	8,438		5,422	
Total United States Department of Education			<u>773,274</u>		<u>628,474</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through Ohio Department of Education:						
CAFS Reimbursement	93.778	N/A	14,142		14,142	
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
Passed through Ohio Department of Education						
Learn and Serve America-School & Community Based	94.004	48132 SV-S2	3,000		1,400	
Total Federal Awards Receipts and Expenditures			<u>\$1,040,408</u>	<u>\$21,074</u>	<u>\$894,008</u>	<u>\$20,052</u>

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

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NATIONAL SCHOOL LUNCH PROGRAM

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

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had food commodities valued at \$3,122 in inventory.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To The Board of Education:

We have audited the financial statements of the Clearview Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 1, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 1, 2000.

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

Jim Petro
Auditor of State

December 1, 2000



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

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

To The Board of Education:

Compliance

We have audited the compliance of the Clearview Local School District, Lorain County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

December 1, 2000

CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program (list):	Title 1 - CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	\$ 300,000
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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CLEARVIEW LOCAL SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 02, 2001**