



**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



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
Lorain, Ohio 44052

We have audited the accompanying general-purpose financial statements of the Clearview Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2001 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.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The schedule of federal awards receipts and expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 21, 2001

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Clearview Local School District

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets				
Cash and Cash Equivalents	\$2,769,637	\$339,191	\$50,241	\$3,437,816
Receivables:				
Taxes	1,582,347	336,365	377,645	58,442
Accounts	600	266	0	0
Intergovernmental Receivable	0	0	0	0
Interfund Receivable	5,000	0	0	0
Inventory Held For Resale	0	0	0	0
Inventory	23,853	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	170,772	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>\$4,552,209</u>	<u>\$675,822</u>	<u>\$427,886</u>	<u>\$3,496,258</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities				
Accounts and Contracts Payable	\$51,413	\$13,601	\$0	\$3,943
Inergovernmental Payable	42,502	0	0	0
Accrued Wages and Benefits	1,030,975	157,934	0	0
Compensated Absences Payable	55,418	0	0	0
Deferred Revenue	1,338,096	277,250	312,559	48,654
Interfund Payable	0	0	5,000	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>2,518,404</u>	<u>448,785</u>	<u>317,559</u>	<u>52,597</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	228,256	105,437	0	998,662
Reserved for Inventory	23,853	0	0	0
Reserved for Property Taxes	244,251	59,115	65,086	9,788
Reserved for Budget Stabilization	170,772	0	0	0
Unreserved, Undesignated	1,366,673	62,485	45,241	2,435,211
Total Fund Equity and Other Credits	<u>2,033,805</u>	<u>227,037</u>	<u>110,327</u>	<u>3,443,661</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,552,209</u>	<u>\$675,822</u>	<u>\$427,886</u>	<u>\$3,496,258</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			
\$176,949	\$34,168	\$0	\$0	\$6,808,001
0	0	0	0	2,354,799
3,584	0	0	0	4,450
41,161	0	0	0	41,161
0	0	0	0	5,000
5,183	0	0	0	5,183
0	0	0	0	23,853
0	0	0	0	170,772
24,806	0	8,301,605	0	8,326,411
0	0	0	0	0
0	0	0	110,327	110,327
0	0	0	6,550,381	6,550,381
\$251,683	\$34,168	\$8,301,605	\$6,660,708	\$24,400,338
\$3,048	\$0	\$0	\$0	\$72,005
547	0	0	0	\$43,049
42,067	0	0	254,740	1,485,716
15,834	0	0	735,968	807,220
7,034	0	0	0	1,983,593
0	0	0	0	5,000
0	4,511	0	0	4,511
0	29,657	0	0	29,657
0	0	0	5,670,000	5,670,000
68,530	34,168	0	6,660,708	10,100,751
0	0	8,301,605	0	8,301,605
183,153	0	0	0	183,153
0	0	0	0	1,332,355
0	0	0	0	23,853
0	0	0	0	378,240
0	0	0	0	170,772
0	0	0	0	3,909,609
183,153	0	8,301,605	0	14,299,587
\$251,683	\$34,168	\$8,301,605	\$6,660,708	\$24,400,338

Clearview Local School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues					
Taxes	\$1,728,776	\$366,011	\$341,841	\$86,801	\$2,523,429
Tuition	387,404	0	0	0	387,404
Earnings on Investments	284,467	0	2,800	75,405	362,672
Extracurricular Activities	0	83,681	0	0	83,681
Intergovernmental	5,917,156	968,001	35,464	1,329,903	8,250,524
Other	16,285	34,341	0	0	50,626
Total Revenues	8,334,088	1,452,034	380,105	1,492,109	11,658,336
Expenditures					
Current:					
Regular Instruction	4,541,288	557,231	0	54,411	5,152,930
Special Instruction	620,421	427,414	0	0	1,047,835
Vocational and Other Instruction	215,033	0	0	0	215,033
Adult Continuing	0	11,566	0	0	11,566
Support Services:					
Pupil Services	385,481	99,193	0	0	484,674
Instructional Staff	429,012	92,045	0	77,746	598,803
Board of Education	17,883	0	0	0	17,883
Administration	804,373	25,225	0	0	829,598
Business and Fiscal Services	397,317	6,415	5,747	36,142	445,621
Plant Operation and Maintenance	914,051	3,214	0	8,786	926,051
Pupil Transportation	289,579	0	0	0	289,579
Central	190,519	5,773	0	0	196,292
Community Services	0	118,075	0	0	118,075
Extracurricular	233,427	117,017	0	0	350,444
Capital Outlay	0	0	0	1,294,814	1,294,814
Debt Service:					
Debt Service-Principal	0	0	2,412,000	0	2,412,000
Debt Service-Interest	0	0	253,662	0	253,662
Total Expenditures	9,038,384	1,463,169	2,671,409	1,471,899	14,644,861
Excess Revenues Over (Under) Expenditures	(704,296)	(11,135)	(2,291,304)	20,210	(2,986,525)
Other Financing Sources (Uses)					
Refund of Prior Year's Expenditure	28,446	0	0	0	28,446
Proceeds from Sale of Notes	0	0	0	2,412,000	2,412,000
Proceeds from Sale of Bonds	0	0	2,414,920	0	2,414,920
Total Other Financing Sources (Uses)	28,446	0	2,414,920	2,412,000	4,855,366
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(675,850)	(11,135)	123,616	2,432,210	1,868,841
Fund Balances at Beginning of Year	2,708,387	238,172	(13,289)	1,011,451	3,944,721
Increase in Reserve for Inventory	1,268	0	0	0	1,268
Fund Balances at End of Year	\$2,033,805	\$227,037	\$110,327	\$3,443,661	\$5,814,830

Clearview Local School District
 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, 2001

	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues			
Taxes	\$1,553,099	\$1,689,886	\$136,787
Interest	251,105	263,922	12,817
Tuition	338,052	387,212	49,160
Intergovernmental	5,735,659	5,918,192	182,533
Miscellaneous	5,721	15,877	10,156
Total Revenues	7,883,636	8,275,089	391,453
Expenditures			
Current:			
Regular Instruction	4,588,754	4,584,252	4,502
Special Instruction	623,728	619,414	4,314
Vocational	213,326	212,428	898
Supporting Services:			
Pupil Services	423,761	415,229	8,532
Instructional Staff	398,955	398,955	0
Board of Education	21,515	18,107	3,408
Administration	822,684	819,539	3,145
Fiscal Services	235,233	231,512	3,721
Business	206,758	201,589	5,169
Operation & Plant Maintenance	931,716	928,719	2,997
Pupil Transportation	311,696	288,857	22,839
Central	220,413	220,413	0
Extracurricular	232,904	232,851	53
Total Expenditures	9,231,443	9,171,865	59,578
Excess of Revenues Over (Under) Expenditures	(1,347,807)	(896,776)	451,031
Other Financing Sources (Uses)			
Advances-In	120,000	120,000	0
Refund of Prior Year's Expenditures	28,446	28,446	0
Advances-Out	(40,000)	(40,000)	
Total Other Financing Sources (Uses)	108,446	108,446	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,239,361)	(788,330)	451,031
Fund Balance at Beginning of Year	3,229,453	3,229,453	0
Prior Year Encumbrances Appropriated	156,558	156,558	0
Fund Balance at End of Year	\$2,146,650	\$2,597,681	\$451,031

See Notes to General Purpose Financial Statements

Clearview Local School District
 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, 2001

	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues			
Taxes	\$375,107	\$355,793	(\$19,314)
Extracurricular	100,000	83,415	(16,585)
Intergovernmental	946,933	968,001	21,068
Miscellaneous	72,509	34,341	(38,168)
Total Revenues	1,494,549	1,441,550	(52,999)
Expenditures			
Current:			
Regular Instruction	634,629	607,485	27,144
Special Instruction	509,426	409,003	100,423
Vocational	1,142	0	1,142
Adult	11,613	11,613	0
Supporting Services:			
Pupil Services	120,355	103,120	17,235
Instructional Staff	126,440	99,152	27,288
Administration	33,115	26,143	6,972
Fiscal Services	7,025	6,415	610
Pupil Transportation	150	0	150
Operation & Plant Maintenance	30,000	3,214	26,786
Central	13,773	5,773	8,000
Non-Instructional Services	199,480	189,786	9,694
Extracurricular	130,240	122,306	7,934
Total Expenditures	1,817,388	1,584,010	233,378
Excess of Revenues Over (Under) Expenditures	(322,839)	(142,460)	180,379
Other Financing Sources (Uses)			
Advances-In	0	0	0
Advances-Out	(15,000)	(15,000)	0
Total Other Financing Sources (Uses)	(15,000)	(15,000)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(337,839)	(157,460)	180,379
Fund Balance at Beginning of Year	284,332	284,332	0
Prior Year Encumbrances Appropriated	93,096	93,096	0
Fund Balance at End of Year	\$39,589	\$219,968	\$180,379

See Notes to General Purpose Financial Statements

Clearview Local School District
 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, 2001

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Revenues			
Taxes	\$258,215	\$305,423	\$47,208
Interest	2,551	2,800	249
Intergovernmental	35,464	35,464	0
Total Revenues	296,230	343,687	47,457
Expenditures			
Current:			
Fiscal Services	8,500	5,747	2,753
Debt Service:			
Debt Service-Principal	2,412,000	2,412,000	0
Debt Service-Interest	253,662	253,662	0
Total Expenditures	2,674,162	2,671,409	2,753
Excess of Revenues Over (Under) Expenditures	(2,377,932)	(2,327,722)	50,210
Other Financing Sources (Uses)			
Proceeds from the Sale of Bonds	2,414,920	2,414,920	0
Advances-Out	(105,000)	(105,000)	0
Advances-In	40,000	40,000	0
Total Other Financing Sources (Uses)	2,349,920	2,349,920	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(28,012)	22,198	50,210
Fund Balance at Beginning of Year	28,043	28,043	0
Fund Balance at End of Year	\$31	\$50,241	\$50,210

See Notes to General Purpose Financial Statements

Clearview Local School District

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, 2001

	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues			
Taxes	\$122,767	\$95,103	(\$27,664)
Interest	153,753	75,405	(78,348)
Intergovernmental	1,522,604	1,329,903	(192,701)
Total Revenues	1,799,124	1,500,411	(298,713)
Expenditures			
Current:			
Regular Instruction	83,502	55,143	28,359
Supporting Services:			
Instructional Staff	114,092	106,588	7,504
Administration	1,000	0	1,000
Fiscal Services	2,500	1,625	875
Business	50,265	34,517	15,748
Plant Operation and Maintenance	9,000	8,786	214
Capital Outlay	4,907,328	2,451,227	2,456,101
Total Expenditures	5,167,687	2,657,886	2,509,801
Excess of Revenues Over (Under) Expenditures	(3,368,563)	(1,157,475)	2,211,088
Other Financing Sources (Uses)			
Proceeds from the Sale of Notes	2,412,000	2,412,000	0
Total Other Financing Sources (Uses)	2,412,000	2,412,000	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(956,563)	1,254,525	2,211,088
Fund Balance at Beginning of Year	396,194	396,194	0
Prior Year Encumbrances Appropriated	784,493	784,493	0
Fund Balance at End of Year	\$224,124	\$2,435,212	\$2,211,088

See Notes to General Purpose Financial Statements

Clearview Local School District
 Combined Statement of Revenues, Expenses
 and Changes in Retained Earnings
Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
Operating Revenues	
Sales	\$173,618
Other	<u>20,917</u>
Total Operating Revenues	194,535
Operating Expenses	
Salaries	197,306
Fringe Benefits	79,648
Purchased Services	2,381
Supplies and Materials	231,641
Other	5,016
Depreciation	<u>4,127</u>
Total Operating Expenses	<u>520,119</u>
Operating Loss	(325,584)
Non-Operating Revenues	
Interest	6,338
Federal and State Subsidies	<u>325,486</u>
Total Non-Operating Revenues	<u>331,824</u>
Net Income	6,240
Net Increase in Retained Earnings	6,240
Retained Earnings at Beginning of Year	<u>176,913</u>
Retained Earnings at End of Year	<u><u>\$183,153</u></u>

See Notes to General Purpose Financial Statements

Clearview Local School District

Combined Statement of Cash Flows

Proprietary Fund Type

For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
Cash Flows From Operating Activities	
Operating Income (Loss)	(\$325,584)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:	
Depreciation	4,127
(Increase) Decrease In Assets:	
Accounts Receivable	(3,454)
Inventories	1,654
Increase (Decrease) In Liabilities:	
Accounts Payable	3,048
Intergovernmental Payable	547
Accrued Wages and Benefits Payable	(4,717)
Deferred Revenue	<u>(1,577)</u>
Total Adjustments	<u>(372)</u>
Net Cash Provided By (Used In) Operating Activities	(325,956)
Cash Flows From Non-Capital Financing Activities	
Interest	6,338
Non-Operating Grants	<u>284,325</u>
Net Cash Provided By Non-Capital Financing Activities	290,663
Cash Flows From Capital and Related Financing Activities	
Purchase of Fixed Assets	<u>(10,019)</u>
Net Increase(Decrease) in Cash & Cash Equivalents	(45,312)
Cash And Cash Equivalents, Beginning of Year	<u>222,261</u>
Cash And Cash Equivalents, End of Year	<u>\$176,949</u>

See Notes to General Purpose Financial Statements

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

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 5.

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 modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 9)

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 1: Summary of Significant Accounting Policies - continued

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 1: Summary of Significant Accounting Policies – continued

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 2001, 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

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 at which the investment could be sold on June 30, 2001.

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 2001 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.

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 1: Summary of Significant Accounting Policies – continued

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-three 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 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.

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 1: Summary of Significant Accounting Policies – continued

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: Changes in Accounting Principles

Changes in Accounting Principles For Fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." This change in accounting principle had no effect on fund balances from the prior year.

Note 3: 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

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, 2000 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.

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 3: Stewardship, Compliance and Accountability - continued

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 \$156,558, Special Revenue Funds \$93,096, and Capital Projects Funds \$784,493.

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).

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	\$ (675,850)	\$ (11,135)	\$ 123,616	\$ 2,432,210
Net Adjustments for Revenue Accruals	(58,999)	(10,484)	(36,418)	8,302
Net Adjustments for Expenditure Accruals	(133,481)	(120,841)	0	(1,185,989)
Net Adjustments for Interfund Loan Transactions	80,000	(15,000)	(65,000)	0
Budget Basis	<u>\$ (788,330)</u>	<u>\$ (157,460)</u>	<u>\$ 22,198</u>	<u>\$ 1,254,525</u>

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 4: 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 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).

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 4: Cash and Investments – continued

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 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 \$312,806 and the bank balance was \$406,823. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$306,823 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.

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 4: Cash and Investments – continued

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	2	Carrying Value	Fair Value
FNMA	\$700,000	\$707,995	\$711,108
FHLB	2,250,000	2,265,114	2,274,371
U.S. Treasury Notes	500,000	499,590	500,703
Money Market Fund	91,257	91,257	91,257
Commercial Paper	550,000	540,873	547,935
Categorization:			
Investments in State			
Treasurer's Investment Pool	0	2,540,593	2,540,593
Total Investments	\$4,091,257	\$6,645,422	\$6,665,967

Note 5: 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.

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 fourteen 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

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 5: Jointly Governed Organizations – continued

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 as fiscal agent, at 1885 Lake Avenue, Elyria, Ohio.

Note 6: Fixed Assets

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

	Balance <u>July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2001</u>
Land	\$ 31,460	\$ -	\$ -	\$ 31,460
Building and Improvements	2,477,627	3,209,915	-	5,687,542
Furniture, Fixtures and Equipment	1,838,975	331,979	26,416	2,144,538
Vehicles	<u>438,065</u>	<u>-</u>	<u>-</u>	<u>438,065</u>
TOTAL	<u>\$4,786,127</u>	<u>\$3,541,894</u>	<u>\$26,416</u>	<u>\$ 8,301,605</u>

A summary of enterprise fund fixed assets as of June 30, 2001 is as follows:

Furniture, Fixtures and Equipment	\$ 146,394
Less Accumulated Depreciation	(121,588)
Net Fixed Assets	<u>\$ 24,806</u>

Note 7: Note Debt

The change in Note Debt was as follows:

	Principal Outstanding June 30, 2000	Issued	Retired	Principal Outstanding June 30, 2001
Debt Service: Bond Anticipation Notes 5.25%	\$0	\$2,410,000	\$2,410,000	\$0

Note 8: 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.

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 8: Long-Term Debt – continued

Annual requirements to amortize all bonds outstanding on June 30, 2001, including interest payments, are as follows:

Fiscal Year Ending	Principal	Interest	Total
June 30,			
2001	\$0	\$195,975	\$195,975
2002	75,000	326,617	\$401,617
2003	90,000	313,317	\$403,317
2004	95,000	309,662	\$404,662
2005	110,000	305,428	\$415,428
2006	115,000	300,583	\$415,583
2007-2010	560,000	1,142,448	\$1,702,448
2011-2015	1,025,000	1,229,215	\$2,254,215
2016-2020	1,540,000	853,248	\$2,393,248
2021-2025	2,060,000	297,105	\$2,357,105
TOTALS	<u>\$5,670,000</u>	<u>\$5,273,598</u>	<u>\$10,943,598</u>

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

	Balance at June 30, 2000	Additions	Reductions	Balance at June 30, 2001
General Obligation Bonds	\$3,260,000	\$2,410,000	\$0	\$5,670,000
Compensated Absences and Retirement	839,509	151,199	0	990,708
Total	<u>\$4,099,509</u>	<u>\$2,561,199</u>	<u>\$0</u>	<u>\$6,660,708</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 9: 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 2001. 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.

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 9: Property Taxes – continued

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, 2001 are available to finance fiscal year 2001 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, 2001. 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, 2001 was \$378,920 and is recognized as revenue and a reservation of fund balance.

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, 2001 were based, are as follows:

	2000 Assessed <u>Values</u>	1999 Assessed <u>Values</u>
Residential/Agricultural	\$ 48,616,100	\$ 38,095,400
Commercial/Industrial	23,048,570	20,922,360
Public Utilities	93,020	122,160
Personal Property - General	9,431,680	9,480,120
Personal Property - Public Utilities	<u>5,157,610</u>	<u>4,930,180</u>
Total Assessed Valuation	<u>\$86,346,980</u>	<u>\$73,550,220</u>

Note 10: 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.

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 10: Pension and Retirement Plans – continued

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, 2001, 2000, and 1999 were \$704,640, \$623,760, and \$554,856, respectively, equal to the required contributions for each year. For 1999 and 1998 the full amount has been contributed. For 2001, 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.

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, 2001, 2000, and 1999 were \$234,216, \$199,350, and \$141,657, respectively, equal to the required contributions for each year. For 1999 and 1998 the full amount has been contributed. For 2001, 36% has been contributed with the remainder being reported as a fund liability and within the general long-term obligations account group.

Note 11: 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.

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 11: Post Employment Benefits - continued

Healthcare benefits are financed on a pay-as-you-go basis. The Board currently allocates employer contributions equal to 4.5% 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 \$3.419 billion at June 30, 2000. For the year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

June 30, 2000 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, 2000, the allocation rate was 9.8%. 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 2000, the minimum pay was established as \$12,400. The surcharge rate, added to the unallocated portion of the 14% employer contribution rate 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, 2000 were \$140,696,340 and the target level was \$211 million.

At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million, at cost. The number of participants currently receiving health care benefits is approximately 50,000 statewide.

June 30, 2000 is the latest date for which information is available.

Note 12: 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.

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 12: Risk Management – continued

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.

The District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits since December 1988. The LERC is a claims-servicing pool comprised of fourteen Lorain County school districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow or individual account balance. Upon termination, the terminating School District would be liable for all outstanding claims beyond their individual 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. This plan provides a medical/surgical plan with deductibles of \$150 for single and \$300 for family coverage.

The LERC's pool premiums are billed to each participating school district based on actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program in any given year, each participating member is notified of their deficiency and their premium is adjusted to cover its share of the additional cost of anticipated future claims.

Note 13: 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.

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 13: Segment Information for Enterprise Funds - continued

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Latchkey Program Fund</u>	<u>Total</u>
Operating Revenues	\$ 159,025	\$ 22,978	\$ 12,532	\$ 194,535
Operating Expenses	486,612	23,760	5,620	515,992
Depreciation Expense	4,127	-	-	4,127
Operating Income (Loss)	(331,714)	(782)	6,912	(325,584)
Non-Operating Grants	325,486	-	-	284,325
Other Non-operating Revenue	6,338	-	-	6,338
Operating Transfers In	-	-	-	-
Net Income (Loss)	110	(782)	6,912	6,240
Fixed Asset Additions	10,019	-	-	10,019
Net Working Capital	143,740	907	20,734	165,381
Total Assets	229,249	907	21,527	251,683
Total Equity	\$ 161,513	\$ 907	\$ 20,734	\$ 183,241

Note 14: 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, 2001.

Note 15: State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

Clearview Local School District
Notes To General Purpose Financial Statements
Fiscal Year Ended June 30, 2001

Note 15: State School Funding Decision - continued

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 26, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and re-determine any issue upon such reconsideration.

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

Note 16: 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 7/1/00	\$0	\$0	\$145,676	\$145,676
Required Set-Aside	163,908	163,908	25,096	352,912
Offset Credits	(0)	(140,965)	0	(140,965)
Qualifying Expenditures	(437,049)	(208,866)	(0)	(645,915)
Portions of Offset Credits and Qualifying Expenditures Not Permitted to be Carried Forward	237,141	185,923	0	423,064
Balance 06/30/01	\$0	\$0	\$170,772	\$170,772

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**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Program	CFDA #	Pass-through Agency Awarding Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department of Health and Human Services						
Passed-through Ohio Department of Mental Retardation and Developmental Disabilities						
Community Alternative Funding System (CAFS)	93.778		<u>\$49,934</u>		<u>\$49,934</u>	
Total United States Department of Health and Human Services			49,934		49,934	
United States Department Of Education						
Passed-through Ohio Department of Education						
Special Education Cluster:						
Special Education - Grants to States	84.027	048132 6B-SF 00/01	<u>113,699</u>		<u>114,761</u>	
Total Special Education Cluster			113,699		114,761	
Title 1 Grants to Local Educational Agencies	84.010	048132 C1-S1 00/01	404,111		367,933	
Innovative Education Program Strategies	84.298	048132 C2-S1 99/00/01	14,512		13,966	
Class Size Reduction Subsidy	84.340	048132 CR-S1 2001	66,950		65,556	
Goals 2000	84.276	048132 G2-S2 2001	13,000		0	
Comprehensive School Reform Demo	84.332	048132 RF-S1 2000	0		88,493	
Eisenhower Professional Development State Grant	84.281	048132 MS-S1 2001	6,575		569	
Safe and Drug-Free Schools and Communities-State Grants	84.186	048132 DR-S1 00/01	<u>10,129</u>		<u>12,373</u>	
Total United States Department of Education			<u>628,976</u>		<u>663,651</u>	
United States Department Of Agriculture						
Passed-through Ohio Department of Education						
Child Nutrition Cluster:						
School Breakfast Program	10.553	048132 05-PU 00/01	54,282		54,282	
National School Lunch Program	10.555	048132 LL-P1 00/01	180,390		180,390	
National School Lunch Program	10.555	048132 LL-P4 00/01	<u>30,755</u>		<u>30,755</u>	
Food Distribution Program	10.550	048132 04-PU		<u>\$22,147</u>		<u>\$22,147</u>
Total Nutrition Cluster/Total United States Department of Agriculture			<u>265,427</u>	<u>22,147</u>	<u>265,427</u>	<u>22,147</u>
Corporation for National and Community Service						
Passed-through Ohio Department of Education						
Learn and Serve America	94.004	048132 SV-S1 2001	<u>15,000</u>		<u>16,600</u>	
Total Corporation for National and Community Service			<u>15,000</u>		<u>16,600</u>	
Total Federal Financial Assistance			<u>\$959,337</u>	<u>\$22,147</u>	<u>\$995,612</u>	<u>\$22,147</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

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, 2001, the District had food commodities valued at \$2,766 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
Lorain, Ohio 44052

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, 2001, and have issued our report thereon dated December 21, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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.

Clearview Local School District
Lorain County
Report Compliance and on Internal Control Required by
Governmental Auditing Standards
Page 2

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 21, 2001



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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
Lorain, Ohio 44052

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 programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 programs for the year ended June 30, 2001.

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 21, 2001

**CLEARVIEW LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

June 30, 2001

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 Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster: School Breakfast Program - CFDA 10.553, National School Lunch Program - CFDA 10.555, Food Distribution Program - CFDA 10.550
<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 17, 2002**