

Mary Taylor, CPA
Auditor of State

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clearview Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clearview Local School District, Lorain County, Ohio, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

July 2, 2008

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Unaudited

The management discussion and analysis of Clearview Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this management discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2007 are as follows:

In total, net assets increased by \$ 1,361,631.

Revenues for governmental activities totaled \$ 14,245,455 in 2007. Of this total, 65.8 percent consisted of General revenues while Program revenues accounted for the remaining balance of 34.2 percent.

Program expenses totaled \$ 12,883,824. Instructional expenses made up 53.9 percent of this total while support services accounted for 34.8 percent. Other expenses rounded out the remaining 11.3 percent.

Using this Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all the current year's revenues and expenses regardless of when cash is received or paid.

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

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Unaudited

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Debt Service Fund.

Governmental Funds

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

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

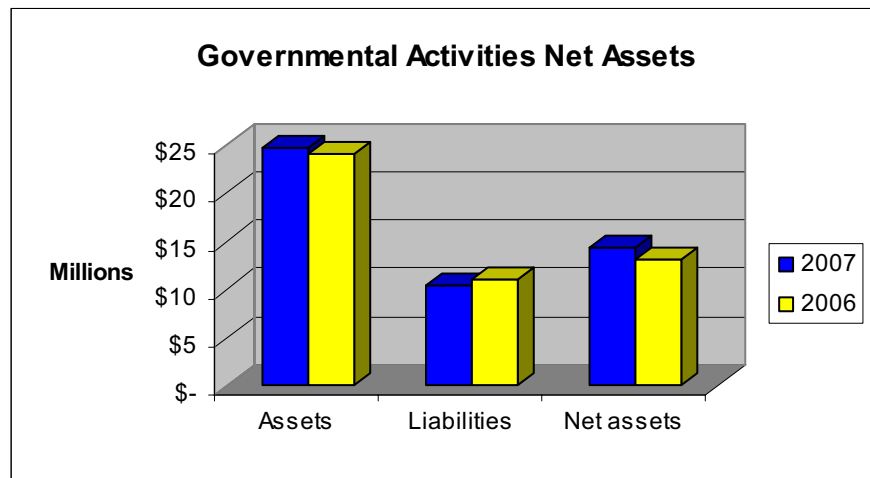
Unaudited

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2007 compared to 2006:

Table 1
Total Net Assets

	2007	2006
Assets		
Current and other assets	\$ 4,053,825	\$ 2,936,902
Total capital assets, net	20,744,965	21,203,582
Total assets	24,798,790	24,140,484
Liabilities		
Current liabilities	4,129,533	4,844,303
Long term liabilities		
Due within one year	336,732	309,642
Due in more than one year	5,916,271	5,931,916
Total liabilities	10,382,536	11,085,861
Net assets		
Invested in capital assets, net of related debt	15,466,055	15,942,440
Restricted	638,194	599,860
Unrestricted (deficit)	(1,687,995)	(3,487,677)
Total net assets	\$ 14,416,254	\$ 13,054,623



CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Unaudited

Governmental Activities

Total assets increased by \$ 658,306. This is the result primarily of increases of \$ 657,621 in equity in pooled cash and \$ 463,801 in taxes receivable. These increases were offset by a decrease in capital assets of \$ 458,617. The decrease in capital assets is primarily the result of depreciation expense.

Total liabilities decreased by \$ 703,325. The decrease can be attributed to decreases in accounts and contracts payable of \$ 102,200, claims payable of \$ 298,060, accrued wages and benefits of \$ 348,481, due to other governments of \$ 251,516, and due to others of \$ 185,767. Unearned revenue and long term liabilities increased by \$ 518,056 and \$ 11,445, respectively. The remainder of the net increase is attributed to retainage payable, accrued interest payable, and due to agency fund which accounts for a net decrease of \$ 46,802.

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$ 1,361,631.

The vast majority of revenue supporting all Governmental Activities is General revenue. General revenues totaled \$ 9,367,676 or 65.8 percent of the total revenues. The most significant portion of the General revenues is from grant entitlements. The remaining amount of revenue was in the form of program revenues which equated to \$ 4,877,779 or 34.2 percent of total revenue.

Table 2 summarizes the revenues, expenses and the changes in net assets for fiscal year 2007 compared to 2006.

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Unaudited

Table 2
Governmental Activities

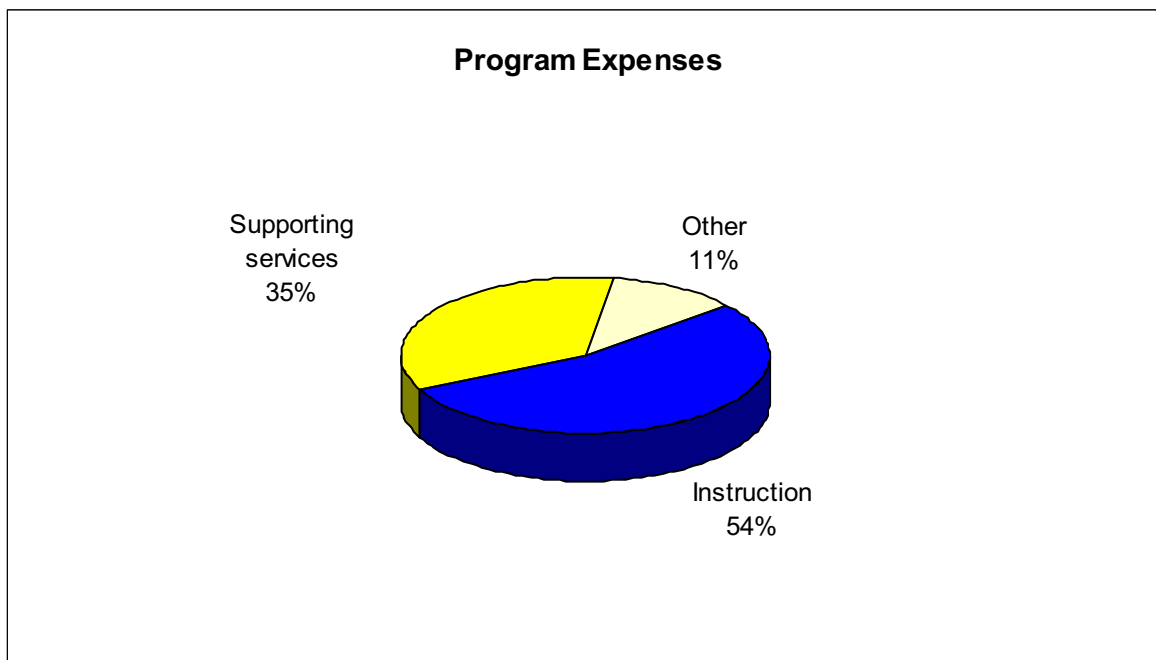
Revenues	2007	2006
Program revenues		
Charges for services	\$ 2,611,366	\$ 2,221,789
Operating grants and contributions	2,266,413	1,889,634
Total program revenues	<u>4,877,779</u>	<u>4,111,423</u>
General revenues		
Property taxes	2,546,644	2,780,550
Grants and entitlements not restricted to specific purposes	6,607,522	6,849,976
Investment earnings	48,394	28,218
Miscellaneous	165,116	37,838
Total general revenues	<u>9,367,676</u>	<u>9,696,582</u>
Total revenues	<u>14,245,455</u>	<u>13,808,005</u>
Program expenses		
Instruction	6,940,824	7,921,930
Supporting services		
Pupil and instructional staff	1,320,131	1,369,572
Board of education, administration, fiscal and business	1,674,294	1,617,382
Operation and maintenance	1,079,692	1,309,355
Pupil transportation	344,918	443,616
Central services	59,001	48,892
Operation of non-instructional		
Food service operation	688,833	751,618
Community services	87,166	280,547
Other operations	25,070	26,922
Extracurricular activities	342,042	350,506
Interest	321,853	302,436
Total expenses	<u>12,883,824</u>	<u>14,422,776</u>
Change in net assets	1,361,631	(614,771)
Net assets at beginning of year	13,054,623	13,669,394
Net assets, end of year	<u>\$ 14,416,254</u>	<u>\$ 13,054,623</u>

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Unaudited

The School District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In June of 2007, the School District completed its five-year forecast. Based upon the current five-year financial forecast, the School District does not have adequate operating funds. Although the School District relies heavily upon State funding and open enrollments to support its operations, the School District does actively solicit additional local tax increases.

Approximately 54 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 35 percent. The remaining program expenses of 11 percent are budgeted to facilitate other obligations of the School District, such as the food service program, numerous extracurricular activities and debt service.



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

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Unaudited

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction	\$ 6,940,824	\$ 7,921,930	\$ (3,350,130)	\$ (5,000,151)
Supporting services				
Pupil and instructional staff	1,320,131	1,369,572	(1,129,614)	(1,170,249)
Board of education, administration, fiscal and business	1,674,294	1,617,382	(1,591,465)	(1,608,943)
Operation and maintenance	1,079,692	1,309,355	(1,064,292)	(1,309,355)
Pupil transportation	344,918	443,616	(344,918)	(442,666)
Central services	59,001	48,892	(53,513)	(43,892)
Operation of non-instructional				
Food service operation	688,833	751,618	57,873	(30,883)
Community services	87,166	280,547	68,872	(110,360)
Other operations	25,070	26,922	(1,878)	(722)
Extracurricular activities	342,042	350,506	(275,127)	(291,696)
Interest	321,853	302,436	(321,853)	(302,436)
Total expenses	<u>\$ 12,883,824</u>	<u>\$ 14,422,776</u>	<u>\$ (8,006,045)</u>	<u>\$ (10,311,353)</u>

Program revenues fund 38 percent of all governmental expenses. Grants and entitlements not restricted to specific programs support 51 percent. Approximately 20 percent of expenses are directly supported by local property taxes.

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

School District Funds

Information regarding the School District's major funds can be found on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 14,159,615 and expenditures of \$ 13,483,010. The net changes in fund balances for the year were as follows: General Fund \$ 777,086, Debt Service Fund \$ 4,115 and Other Governmental Funds \$ 98,281.

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal year 2007, the School District amended its general fund budget numerous times, none significantly. Fluctuations among the budget basis expenditures categories are due to the School District's site-based style of budgeting that is designed to tightly control expenses but provide flexibility for managers to redirect funds as conditions develop during the year.

Revenue received by the General Fund was less than final budgetary projections by \$ 315,188. Actual expenditures for the year were \$ 184,674 under final General Fund budget projections.

Capital Assets and Debt Administration

Capital Assets

All capital assets, except land, are reported net of depreciation. At the end of fiscal 2007, the School District had \$ 20,744,965 invested in land, buildings, equipment and vehicles. Table 4 shows fiscal 2007 values compared to 2006.

	2007	2006
Land	\$ 47,080	\$ 47,080
Building and improvements	20,075,126	20,592,350
Furniture and equipment	455,494	364,058
Vehicles	167,265	200,094
	\$ 20,744,965	\$ 21,203,582

During fiscal 2007, the capital assets had a net decrease of \$ 458,617, primarily due to depreciation expense.

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

CLEARVIEW LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Unaudited

Debt

At June 30, 2007 the School District had \$ 5,060,000 in outstanding bonds. Proceeds from the bonds were used to renovate the District Buildings. The bonds are to be repaid in annual principal payments of interest and principal through 2024.

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

School District Outlook

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

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

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

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

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

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

Contacting the School District's Financial Management

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

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CLEARVIEW LOCAL SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities
Assets	
Equity in pooled cash	\$ 660,621
Accounts receivable	10,020
Due from other governments	73,416
Taxes receivable	3,309,768
Capital assets	
Nondepreciable capital assets	47,080
Depreciable capital assets	20,697,885
Total assets	<u>24,798,790</u>
Liabilities	
Accounts and contracts payable	49,216
Accrued salaries, wages and benefits	1,079,308
Accrued interest payable	23,182
Due to other governments	346,081
Unearned revenue	2,631,746
Long term liabilities	
Due within one year	336,732
Due in more than one year	5,916,271
Total liabilities	<u>10,382,536</u>
Net assets	
Invested in capital assets, net of related debt	15,466,055
Restricted for:	
Debt service	301,353
Capital projects	128,174
School supplies	41,413
Extracurricular	4,887
State grants	5,530
Federal grants	34,790
Donations	42,238
Other purposes	79,809
Unrestricted (deficit)	(1,687,995)
Total net assets	<u>\$ 14,416,254</u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants Interest and Contributions	Revenue and Changes in Net Assets
Governmental activities				
Instruction				
Regular	\$ 6,026,593	\$ 2,322,045	\$ 997,789	\$ (2,706,759)
Special	805,948	1,406	269,454	(535,088)
Vocational	108,283	-	-	(108,283)
Supporting services				
Pupil	811,357	-	69,845	(741,512)
Instructional staff	508,774	-	120,672	(388,102)
Board of education	54,534	-	-	(54,534)
Administration	1,012,961	-	82,829	(930,132)
Fiscal services	397,263	-	-	(397,263)
Business	209,536	-	-	(209,536)
Operation and maintenance	1,079,692	-	15,400	(1,064,292)
Pupil transportation	344,918	-	-	(344,918)
Central services	59,001	-	5,488	(53,513)
Operation of non-instructional				
Food service operation	688,833	182,190	564,516	57,873
Community services	87,166	15,618	140,420	68,872
Other operations	25,070	23,192	-	(1,878)
Extracurricular activities	342,042	66,915	-	(275,127)
Interest	321,853	-	-	(321,853)
Totals	<u>\$ 12,883,824</u>	<u>\$ 2,611,366</u>	<u>\$ 2,266,413</u>	<u>(8,006,045)</u>

General revenues

Property taxes levied for:

General purpose	2,122,864
Debt service	392,012
Capital improvements	31,768
Grants and entitlements not restricted to specific purpose:	6,607,522
Investment earnings	48,394
Miscellaneous	165,116
Total general revenues	<u>9,367,676</u>

Change in net assets	1,361,631
Net assets at beginning of year, restated	13,054,623
Net assets at end of year	<u>\$ 14,416,254</u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT

BALANCE SHEET -
GOVERNMENTAL FUNDS

JUNE 30, 2007

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 1,500	\$ 189,691	\$ 217,526	\$ 408,717
Receivables, net of allowance				
Taxes, current	2,588,325	420,551	42,492	3,051,368
Taxes, delinquent	214,900	39,900	3,600	258,400
Accounts and other	10,020	-	-	10,020
Due from other governments	-	-	73,416	73,416
Interfund receivable	50,717	-	217,844	268,561
Total assets and other debits	<u>\$ 2,865,462</u>	<u>\$ 650,142</u>	<u>\$ 554,878</u>	<u>\$ 4,070,482</u>
Liabilities and fund balances				
Liabilities				
Accounts and contracts payable	\$ 35,279	\$ -	\$ 13,937	\$ 49,216
Accrued salaries, wages and benefits	985,998	-	93,310	1,079,308
Due to other governments	300,008	-	46,073	346,081
Interfund payable	307,360	-	303,061	610,421
Unearned revenue	2,461,819	388,689	39,638	2,890,146
Accrued leave benefits	141,834	-	-	141,834
Total liabilities	<u>4,232,298</u>	<u>388,689</u>	<u>496,019</u>	<u>5,117,006</u>
Fund balances				
Reserved for property taxes	341,406	71,762	6,454	419,622
Reserved for encumbrances	2,086	-	118,375	120,461
Unreserved, reported in				
General Fund	(1,710,328)	-	-	(1,710,328)
Special Revenue Funds	-	-	(194,003)	(194,003)
Debt Service Fund	-	189,691	-	189,691
Capital Projects Funds	-	-	128,033	128,033
Total fund balances	<u>(1,366,836)</u>	<u>261,453</u>	<u>58,859</u>	<u>(1,046,524)</u>
Total liabilities and fund balances	<u>\$ 2,865,462</u>	<u>\$ 650,142</u>	<u>\$ 554,878</u>	<u>\$ 4,070,482</u>

See accompanying notes to the basic financial statements.

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

JUNE 30, 2007

Total governmental funds balances	\$ (1,046,524)
Amount reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	20,744,965
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes.	258,400
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	593,764
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(832,259)
Accrued interest	(23,182)
Bonds payable	(5,060,000)
Capital leases payable	(218,910)
	14,416,254
Net assets of governmental activities	\$ 14,416,254

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,055,964	\$ 379,712	\$ 35,468	\$ 2,471,144
Tuition and fees	2,322,045	-	25,148	2,347,193
Interest	33,648	-	4,406	38,054
Intergovernmental	7,294,854	37,256	1,541,825	8,873,935
Extracurricular	-	-	122,249	122,249
Charges for services	-	-	182,190	182,190
Other	71,265	-	53,585	124,850
Total revenues	11,777,776	416,968	1,964,871	14,159,615
Expenditures				
Current				
Instruction				
Regular	5,801,241	-	319,107	6,120,348
Special	612,337	-	237,967	850,304
Vocational	111,365	-	-	111,365
Supporting services				
Pupil	749,141	-	74,225	823,366
Instructional staff	403,206	-	87,957	491,163
Board of education	54,020	-	-	54,020
Administration	931,585	-	83,684	1,015,269
Fiscal services	314,774	7,514	54,628	376,916
Business	379,304	-	12,108	391,412
Operation and maintenance	1,102,667	-	26,497	1,129,164
Pupil transportation	307,021	-	147	307,168
Central services	51,238	-	5,488	56,726
Operation of non-instructional				
Food service operation	-	-	734,638	734,638
Community services	3,133	-	156,498	159,631
Enterprise operations	-	-	25,070	25,070
Extracurricular activities	257,940	-	64,661	322,601
Capital outlay	-	-	6,399	6,399
Debt service				
Principal	60,109	125,000	-	185,109
Interest	6,002	316,339	-	322,341
Total expenditures	11,145,083	448,853	1,889,074	13,483,010
Excess (deficiency) of revenues over expenditures	632,693	(31,885)	75,797	676,605
Other financing sources (uses)				
Transfers-in	-	36,000	31,606	67,606
Proceeds from capital lease	183,396	-	19,481	202,877
Transfers-out	(39,003)	-	(28,603)	(67,606)
Total other financing sources (uses)	144,393	36,000	22,484	202,877
Net change in fund balances	777,086	4,115	98,281	879,482
Fund balances, beginning of year	(2,143,922)	257,338	(39,422)	(1,926,006)
Fund balances, end of year	\$ (1,366,836)	\$ 261,453	\$ 58,859	\$ (1,046,524)

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds		\$ 879,482
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
	Capital outlay, net	204,031
	Depreciation expense	<u>(662,648)</u>
		(458,617)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	Property taxes	75,500
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
		(17,768)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	Accrued interest	488
	Compensated absences	<u>42,205</u>
		42,693
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		<u>840,341</u>
Change in net assets of governmental activities		<u><u>\$ 1,361,631</u></u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 2,435,197	\$ 2,435,197	\$ 2,167,412	\$ (267,785)
Tuition and fees	1,910,258	2,175,947	2,322,045	146,098
Interest	27,681	31,531	33,648	2,117
Intergovernmental	7,497,188	7,497,188	7,297,717	(199,471)
Other	50,384	57,392	61,245	3,853
Total revenues	11,920,708	12,197,255	11,882,067	(315,188)
Expenditures				
Current				
Instruction				
Regular	5,980,922	6,111,558	6,014,520	97,038
Special	617,135	630,615	620,602	10,013
Vocational	107,678	110,030	108,283	1,747
Supporting services				
Pupil	751,591	768,007	755,813	12,194
Instructional staff	447,704	457,483	450,219	7,264
Board of education	53,737	54,911	54,039	872
Administration	953,857	974,691	959,215	15,476
Fiscal services	325,596	332,708	327,425	5,283
Business	266,355	272,172	267,851	4,321
Operation and maintenance	1,199,156	1,225,348	1,205,892	19,456
Pupil transportation	364,276	372,232	366,322	5,910
Central services	58,160	59,431	58,487	944
Extracurricular activities	256,172	261,767	257,611	4,156
Total expenditures	11,382,339	11,630,953	11,446,279	184,674
Excess (deficiency) of revenues over expenditures	538,369	566,302	435,788	(130,514)
Other financing sources (uses)				
Refund of prior year expenditures	5,997	6,831	7,290	459
Note proceeds	658,130	749,666	800,000	50,334
Transfers-out	(834,316)	(852,539)	(839,003)	13,536
Advances-out	(368,180)	(376,222)	(370,248)	5,974
Total other financing sources (uses)	(538,369)	(472,264)	(401,961)	70,303
Net change in fund balances	-	94,038	33,827	(60,211)
Fund balances, beginning of year	804	804	804	-
Prior year encumbrances	9,849	9,849	9,849	-
Fund balances, end of year	\$ 10,653	\$ 104,691	\$ 44,480	\$ (60,211)

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS –
INTERNAL SERVICE FUND

JUNE 30, 2007

	<u>Self Insurance</u>
Assets	
Cash with fiscal agent	\$ 251,904
Interfund receivable	341,860
Total assets	<u>593,764</u>
Net assets	
Unrestricted	<u>\$ 593,764</u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Self Insurance
Operating revenues	
Charges for services	\$ 1,660,002
Operating expenses	
Purchased services	76,968
Claims	753,033
Total operating expenses	830,001
Operating income	830,001
Nonoperating revenues	
Interest income	10,340
Change in net assets	840,341
Net assets, beginning of year	(246,577)
Net assets, end of year	\$ 593,764

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT

STATEMENT OF CASH FLOWS-
INTERNAL SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Self Insurance</u>
Cash flows from operating activities	
Cash received from interfund services	\$ 1,555,392
Cash payments for goods and services	(76,968)
Cash payments for claims	(1,236,860)
Net cash used for operating activities	<u>241,564</u>
Cash flows from investing activities	
Interest income	10,340
Net cash provided by investing activities	<u>10,340</u>
Net change in cash and cash equivalents	251,904
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 251,904</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating income	<u>\$ 830,001</u>
Adjustments	
Increase in due from other funds	(104,610)
Decrease in claims payable	(298,060)
Decrease in due to others	(185,767)
Total adjustments	<u>(588,437)</u>
Net cash used for operating activities	<u>\$ 241,564</u>

See accompanying notes to the basic financial statements.

CLEARVIEW LOCAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY FUNDS -
ASSETS AND LIABILITIES – AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Agency Funds
Assets	
Equity in pooled cash	\$ 44,991
Total assets	\$ 44,991
 Liabilities	
Accounts payable	\$ 1,764
Due to students	26,242
Due to others	16,985
Total liabilities	\$ 44,991

See accompanying notes to the basic financial statements.

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CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Clearview Local School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2006 was 1,601. The District employs 102 certificated and 70 non-certificated employees.

REPORTING ENTITY

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

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

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

The District is associated with the Lake Erie Educational Computer Association, the Lake Erie Regional Council of Governments, the Lorain County Joint Vocational School District, and the Ohio Schools Council Association, which are considered to be jointly governed organizations. These organizations and their relationships with the District are described in more detail in Note 20 to these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

Fund Financial Statements

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

B. FUND ACCOUNTING

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

Governmental Funds

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

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

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

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

Proprietary Fund

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

Fiduciary Funds

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

C. MEASUREMENT FOCUS

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

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS (continued)

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

D. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Unearned Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

Expenditures/Expenses

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

E. BUDGETARY PROCESS

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

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

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

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. CASH AND INVESTMENTS

Cash received by the District is deposited in one central bank account with individual fund balance integrity maintained through District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAROhio) or other short term investments. Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest income earned for the year ended June 30, 2007 totaled \$ 38,054.

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

The District has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during the year. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2007. Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

G. RESTRICTED ASSETS

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

H. CAPITAL ASSETS

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

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

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

<u>Asset</u>	<u>Estimated Useful Life</u>
Buildings and improvements	40 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. INTERFUND BALANCES

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

J. COMPENSATED ABSENCES

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

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

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

K. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables and accrued liabilities from the proprietary fund are reported on the proprietary fund statement.

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

L. NET ASSETS

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. FUND BALANCE RESERVES AND DESIGNATIONS

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for property taxes and encumbrances.

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

N. OPERATING REVENUES AND EXPENSES

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

O. INTERFUND TRANSACTIONS

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

P. ESTIMATES

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

NOTE 3 - NONCOMPLIANCE

At June 30, 2007, the District was in violation of Ohio Revised Code § 5705.10, which resulted in a negative fund cash balance of \$ 264,313 in the Preschool Fund.

During fiscal year 2007, the District was not in compliance with Ohio Revised Code § 3315.17(A) and Ohio Revised Code § 3315.18(A). Ohio Revised Code § 3315.17(A) states the board of education of each city, exempted village, local, and joint vocational school district shall establish a textbook and instructional materials fund. Ohio Revised Code § 3315.18(A) states the board of education of each city, exempted village, local, and joint vocational school district shall establish a capital and maintenance fund. During fiscal year 2007, the District did not expend all of the required set-aside for the textbook or capital maintenance reserves. For June 30, 2007, the District's required textbook and capital maintenance set-asides were \$194,488 and \$70,483, respectively, which are required to be carried forward to the next fiscal year. At June 30, 2007, the District had unrestricted cash in the General Fund of \$1,500, which was not enough to cover the required reserve balances. This failure indicates the required restricted cash supporting the reserves was expended for purposes which are in violation of the above code sections.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 – NONCOMPLIANCE (continued)

Ohio Revised Code § 5705.39 requires that total appropriations from each fund shall not exceed the total estimated resources.

The following funds had appropriations exceeding estimated resources at the legal level of budgetary control on June 30, 2007:

Fund Number/Name	Appropriations	Estimated Resources	Variance
018 Public School Support	\$ 173,361	\$ 100,000	(\$ 73,361)
019 Other Grant	\$ 20,417	\$ 15,000	(\$ 5,417)
300 Athletics	\$ 92,156	\$ 75,000	(\$ 17,156)
516 IDEA Grant	\$ 393,518	\$ 348,756	(\$ 44,762)
573 Title VI	\$ 6,245	\$ 4,622	(\$ 1,623)
584 Drug Free School Grant	\$ 9,131	\$ 8,058	(\$ 1,073)
599 Miscellaneous Federal Grants	\$ 6,172	\$ 4,760	(\$ 1,412)
003 Permanent Improvement	\$ 17,183	\$ 0	(\$ 17,183)
010 Ohio School Facilities Commission	\$ 187,408	\$ 149,328	(\$ 38,080)
450 Ohio Schoolnet Plus	\$ 14,457	\$ 10,328	(\$ 4,129)

NOTE 4 – DEFICIT FUND EQUITY

At June 30, 2007, the following funds had deficit fund balances:

General Fund	<u>\$ (1,366,836)</u>
Non-major Funds	
Food Service	\$ (41,004)
Uniform School Supplies	(2,304)
Latchkey	<u>(272,553)</u>
	<u>\$ (315,861)</u>

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
	General Fund
Budget basis	\$ 33,827
Adjustments, increase (decrease)	
Revenue accruals	(728,185)
Expenditure accruals	1,471,444
GAAP basis, as reported	\$ 777,086

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

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

Interim monies may be invested in the following securities:

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

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 6 - DEPOSITS AND INVESTMENTS(continued)

A. LEGAL REQUIREMENTS (continued)

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

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

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

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

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District's deposits was \$ 698,133 and the bank balance was \$ 773,823. Of the bank balance, \$ 332,842 was covered by federal depository insurance and \$440,981 was uninsured. Of the remaining balance, \$ 440,981 was collateralized with securities held by the pledging institution's trust department not in the District's name.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2007, the District had the following investments:

	Maturities	Fair Value
Investment in STAROhio	n/a	\$ 4,479

D. INTEREST RATE RISK

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

E. CREDIT RISK

The District follows the Ohio Revised Code that limits its investment choices. As of June 30, 2007, the District's investments in Money Market Funds and StarOhio were rated AAA by Standard & Poor's.

F. CONCENTRATION OF CREDIT RISK

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes for 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2007 were levied after April 1, 2006, on the assessed values as of December 31, 2005, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes for 2007 were levied after April 1, 2006, on the value as of December 31, 2006. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory is 12.5 percent for 2007. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Lorain County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007 are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2007 operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2007, was \$ 341,406 in the General Fund, \$ 6,454 in the Classroom Facilities Fund, and \$ 71,762 in the Debt Service Fund. The amount available as an advance at June 30, 2006, was \$ 452,854 in the General Fund, \$ 8,628 in the Classroom Facilities Fund, and \$ 87,895 in the Debt Service Fund.

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	%	Amount	%
Agricultural Residential				
Real Estate	\$ 57,161,990	62.34 %	\$ 63,467,280	65.55 %
Other Commercial	25,349,420	27.65	26,295,400	27.16
Public Utility	97,140	0.11	-	0.00
Tangible Personal Property	9,081,440	9.90	7,059,269	7.29
	<u>\$ 91,689,990</u>	<u>100.00 %</u>	<u>\$ 96,821,949</u>	<u>100.00 %</u>
Tax Rate per \$ 1,000 of Assessed Valuation:	<u>46.34</u>		<u>46.09</u>	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2007, consisted of property taxes and amounts due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Non-major Funds</u>	<u>Amount</u>
Food Service	\$ 66,428
Miscellaneous State Grants	6,988
Total due from other governments	<u>\$ 73,416</u>

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

Governmental Activities	Balance June 30, 2006	Additions	Disposals	Balance June 30, 2007
Nondepreciable capital assets				
Land	\$ 47,080	\$ -	\$ -	\$ 47,080
Total nondepreciable capital assets	<u>47,080</u>	<u>-</u>	<u>-</u>	<u>47,080</u>
Depreciable capital assets				
Buildings and improvements	22,121,276	34,320	-	22,155,596
Furniture and equipment	692,921	217,641	(166,003)	744,559
Vehicles	418,874	-	-	418,874
Total capital assets being depreciated	<u>23,233,071</u>	<u>251,961</u>	<u>(166,003)</u>	<u>23,319,029</u>
Less accumulated depreciation				
Buildings and improvements	1,528,926	551,544	-	2,080,470
Furniture and equipment	328,863	78,275	(118,073)	289,065
Vehicles	218,780	32,829	-	251,609
Total accumulated depreciation	<u>2,076,569</u>	<u>662,648</u>	<u>(118,073)</u>	<u>2,621,144</u>
Depreciable capital assets, net of accumulated depreciation	<u>21,156,502</u>	<u>(410,687)</u>	<u>(47,930)</u>	<u>20,697,885</u>
Governmental activities capital assets, net	<u>\$ 21,203,582</u>	<u>\$ (410,687)</u>	<u>\$ (47,930)</u>	<u>\$ 20,744,965</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 297,622
Special	68,019
Vocational	6,911
Supporting services	
Pupil	20,985
Instructional staff	51,969
Board of education	514
Administration	43,458
Fiscal	22,545
Business	1,520
Operation and maintenance of plant	49,782
Pupil transportation	56,070
Central services	2,275
Operation of non-instructional services	
Food service	19,353
Community services	2,184
Extracurricular activities	19,441
Total depreciation expense	<u>\$ 662,648</u>

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 10 - INTERFUND ACTIVITY

On the fund financial statements at June 30, 2007, interfund balances consisted of the following:

Due to	Due from:	General Fund	Nonmajor Governmental Funds	Total
General Fund		\$ -	\$ 50,717	\$ 50,717
Nonmajor Governmental Funds		-	217,844	217,844
Internal Service Fund		307,360	34,500	341,860
		<u>\$ 307,360</u>	<u>\$ 303,061</u>	<u>\$ 610,421</u>

These amounts are represented as "Interfund Receivable/Payable" on the balance sheet. The loans were made to support programs and projects in the Special Revenue Funds and the Self Insurance Fund.

During the year ended June 30, 2007, transfers were made to provide for the payment of expenditures in nonmajor governmental funds and for the payment of debt principal in the Debt Service Fund.

Transfer to:	Transfer from:		Total
	General Fund	Nonmajor Governmental Funds	
Debt Service Fund	\$ 36,000	\$ -	\$ 36,000
Nonmajor Governmental Funds	3,003	28,603	31,606
	<u>\$ 39,003</u>	<u>\$ 28,603</u>	<u>\$ 67,606</u>

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with the Ohio Schools Risk Authority. The deductible is \$ 1,000 per incident. All vehicles are insured with the Ohio Schools Risk Authority and have a \$ 1,000 deductible. All board members, administrators, and employees are covered under a school district liability policy with the Ohio Schools Risk Authority. The limits of this coverage are \$ 2,000,000 per occurrence and \$ 4,000,000 aggregate.

The treasurer is covered with a surety bond for \$ 50,000. Remaining employees who handle money are covered by a commercial coverage crime policy in the amount of \$ 50,000. This coverage is provided by the Westfield Insurance Company. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no reduction in coverage from the prior year.

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 11 - RISK MANAGEMENT (continued)

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

For fiscal year June 30, 2007, the District contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits. LERC operated as a claims-servicing pool through June 30, 2007. Rates were set through an annual calculation process. Monthly contributions were placed in a common fund from which claim payments were made for all participating school districts. Claims were paid for all participants regardless of claims flow or individual account balance.

As of July 1, 2007, LERC discontinued as a claims-servicing pool and began operating as an insurance purchasing pool. Any unpaid claims liabilities as of June 30, 2007 are to be paid by the insurance purchasing pool. Accordingly, at June 30, 2007, there was no claims liability required to be reported based on the requirements of Governmental Accounting Standards Board Statement No. 10.

Changes in the balance of claims liability during the year ended June 30, 2007 are summarized below:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Unpaid claims, beginning of year	\$ 298,060	\$ 269,256
Incurred claims	938,800	1,510,706
Claims payments	(1,236,860)	(1,481,902)
Unpaid claims, end of year	<u>\$ -</u>	<u>\$ 298,060</u>

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2007, 2006, and 2005 were \$ 233,200, \$ 267,500, and \$ 267,500, respectively. The full amount has been contributed for 2006 and 2005. For 2007, \$ 105,000 (45%) has been contributed. \$ 126,000 represents the unpaid contribution for fiscal year 2007.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS Ohio)

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS Ohio) (continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$ 763,800, \$ 883,900, and \$ 883,900, respectively. For 2007, \$ 653,200 (86%) has been contributed. The full amount has been contributed for 2006 and 2005. \$ 119,200 represents the unpaid contribution for fiscal year 2007.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired non-certified employees and their dependents through the School Employees Retirement System (SERS), and to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$ 35,800. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$ 88,900. The surcharge, added to the unallocated portion of the 14 percent 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. Net health care costs for the year ending June 30, 2006 were \$ 158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$ 295.6 million, which is about 221% of next years' projected net health care costs of \$ 158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. At June 30, 2006, the number of participants eligible to receive benefits was 59,492.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$ 58,757 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was \$ 3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$ 282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

NOTE 14 – NOTE PAYABLE

Note payable consisted of:

	Outstanding June 30, 2006	Additions	Deductions	Outstanding June 30, 2007
Tax anticipation note, 4.5%				
Issued 7/3/06, Maturity 6/15/07	\$ -	\$ 800,000	\$ 800,000	\$ -

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

NOTE 15 – BONDS PAYABLE

Bonds payable at year end consisted of:

	Outstanding June 30, 2006	Additions	Deductions	Outstanding June 30, 2007
General obligation bonds				
School Improvement, (1999)				
6.125% through 2024	\$ 1,320,000	\$ -	\$ 50,000	\$ 1,270,000
Building construction, (2001)				
5.280% through 2023	2,085,000	-	75,000	2,010,000
Refunding bonds, (2006)				
4.000% through 2024	1,780,000	-	-	1,780,000
	<u>\$ 5,185,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 5,060,000</u>

The original amount of bonds issued in 1999 and 2001 were \$ 3,260,000 and \$ 2,410,000, respectively. At June 30, 2007, \$1,780,000 of the 1999 general obligation bonds are considered to be defeased. Principal payments are not due on the refunding bonds until December 2011.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2007 were as follows:

	Balance June 30, 2006	Increase	Decrease	Balance June 30, 2007	Amounts Due In One Year
Bonds payable	\$ 5,185,000	\$ -	\$ 125,000	\$ 5,060,000	\$ 135,000
Capital leases	76,142	202,877	60,109	218,910	59,898
Compensated absences	980,416	126,622	132,945	974,093	141,834
	<u>\$ 6,241,558</u>	<u>\$ 329,499</u>	<u>\$ 318,054</u>	<u>\$ 6,253,003</u>	<u>\$ 336,732</u>

Principal and interest requirements to retire bonds payable outstanding at June 30, 2007, were as follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 135,000	\$ 275,051	\$ 410,051
2009	145,000	268,462	413,462
2010	155,000	261,223	416,223
2011	175,000	253,028	428,028
2012	190,000	244,485	434,485
2013 - 2017	1,225,000	1,058,518	2,283,518
2018 - 2022	1,805,000	621,438	2,426,438
2023 - 2025	1,230,000	102,159	1,332,159
	<u>\$ 5,060,000</u>	<u>\$ 3,084,364</u>	<u>\$ 8,144,364</u>

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

NOTE 17 - CAPITAL LEASE

The District has entered into lease agreements for financing certain copier equipment, school busses and fitness equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of June 30, 2007.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, are as follows:

	Year ending June 30,	Amount
	2008	\$ 72,761
	2009	47,737
	2010	47,737
	2011	47,737
	2012	36,975
Total minimum lease payments		<u>252,947</u>
Less amount representing interest		34,037
Net present value of minimum lease payments		<u>\$ 218,910</u>

CLEARVIEW LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 18 - SET-ASIDES

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbook	Capital Maintenance
Balance, July 1, 2006	\$ 82,106	\$ -
Required set aside	222,509	222,509
Qualifying expenditures	(110,127)	(152,026)
Balance June 30, 2007	\$ 194,488	\$ 70,483

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

NOTE 19 - CONTINGENCIES

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION

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

LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2007, the District paid \$ 255,615 to LEECA.

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

The Lake Erie Regional Council of Governments (LERC) is a jointly governed organization among fourteen districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, food service and insurance. Each member provided operating resources to LERC on a per pupil or usage charge except for insurance. The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2007 the District paid \$ 123,803 to LERC.

C. LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide vocational and special education needs of the students. The Board of the Lorain County Joint Vocational School District is comprised of representatives from each participating school district and is responsible for approving its own budgets, appointing personnel, accounting, and financing related activities.

Each School District's control is limited to its representation on the Board. The Clearview Local School District's students may attend the Lorain County Joint Vocational School District. Financial information can be obtained by contacting the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

CLEARVIEW LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (the Council) is a jointly governed organization among eighty-three school districts. The Council 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 provided operating resources to the Council on a per pupil or actual usage charge except for insurance.

The Council assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. The Council is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Executive Secretary/Treasurer, Ohio Schools Council, 6133 Rockside Road, Suite 10, Independence, Ohio 44131. During the year ended June 30, 2007, the District paid approximately \$ 70,108 to the Ohio Schools Council.

NOTE 21 - SUBSEQUENT EVENTS

In July 2007, the District obtained a Tax Anticipation Note in the amount of \$ 500,000 due to mature in June 2008.

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE <i>Passed through the Ohio Department of Education</i>						
Food Donation	N/A	10.550		<u>\$83,787</u>		<u>\$83,787</u>
Nutrition Cluster:						
School Breakfast Program	48132-05PU-2006		47,977		47,977	
	48132-05PU-2007		<u>118,404</u>		<u>118,404</u>	
Total School Breakfast Program		10.553	<u>166,381</u>		<u>166,381</u>	
National School Lunch Program	48132-LLP1-2006		653		653	
	48132-LLP1-2007		2,040		2,040	
	48132-LLP4-2006		80,603		80,603	
	48132-LLP4-2007		<u>212,113</u>		<u>212,113</u>	
Total National School Lunch Program		10.555	<u>295,409</u>		<u>295,409</u>	
Summer Food Service Program for Children	48132-24PU-2006	10.559	<u>842</u>		<u>842</u>	
Total Nutrition Cluster:						
			<u>462,632</u>		<u>462,632</u>	
Total U.S. Department of Agriculture			<u>462,632</u>	<u>83,787</u>	<u>462,632</u>	<u>83,787</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	48132-C1S1-2006		(4,875)		11,048	
	48132-C1S1-2007		<u>318,711</u>		<u>263,455</u>	
Total - Title I Grants to Local Educational Agencies		84.010	<u>313,836</u>		<u>274,503</u>	
Special Education Cluster:						
Special Education - Grants to States	48132-6BSF-2006		5,710		49,559	
	48132-6BSF-2007		<u>343,046</u>		<u>301,505</u>	
Total - Special Education Grants to States		84.027	<u>348,756</u>		<u>351,064</u>	
Safe and Drug Free Schools and Communities - State Grants						
	48132-DRS1-2006		(540)		(41)	
	48132-DRS1-2007		<u>7,567</u>		<u>7,456</u>	
Total - Safe and Drug Free Schools and Communities - State Grants		84.186	<u>7,027</u>		<u>7,415</u>	
State Grants for Innovative Programs						
	48132-C2S1-2006		(1,623)		-	
	48132-C2S1-2007		<u>4,622</u>		<u>4,195</u>	
Total - State Grants for Innovative Programs		84.298	<u>2,999</u>		<u>4,195</u>	
Education Technology State Grants						
	48132-TJS1-2006		(1,412)			
	48132-TJS1-2007		<u>4,677</u>		<u>3,890</u>	
Total - Education Technology State Grants		84.318	<u>3,265</u>		<u>3,890</u>	
Improving Teacher Quality State Grants						
	48132-TRS1-2006		7,448		14,791	
	48132-TRS1-2007		<u>92,042</u>		<u>75,069</u>	
Total - Improving Teacher Quality State Grants		84.367	<u>99,490</u>		<u>89,860</u>	
Total U.S. Department of Education			<u>775,373</u>		<u>730,927</u>	
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			<u>\$1,238,005</u>	<u>\$83,787</u>	<u>\$1,193,559</u>	<u>\$83,787</u>

The accompanying notes are an integral part of this schedule.

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION PROGRAM

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

NOTE C – NUTRITION CLUSTER

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

CFDA – Catalog of Federal Domestic Assistance

N/A – Not Applicable



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clearview Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the District's management in a separate letter dated July 2, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-003.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We also noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated July 2, 2008.

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



Mary Taylor, CPA
Auditor of State

July 2, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Clearview Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Clearview Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

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

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

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

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

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

Mary Taylor, CPA
Auditor of State

July 2, 2008

CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster: School Breakfast Program – CFDA 10.553 National School Lunch Program – CFDA 10.555 Summer Food Service Program for Children – CFDA 10.559
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2007-001

Noncompliance Finding

Ohio Rev. Code Section 3315.17(A) states the board of education of each city, exempted village, local, and joint vocational school district shall establish a textbook and instructional materials fund. Each board annually shall deposit into that fund an amount derived from revenues received by the district for operating expenses that is equal to three per cent of the formula amount for the preceding fiscal year, as defined in Section 3317.02 of the Revised Code, or another percentage if established by the Auditor of State under division (C) of this section, multiplied by the district's student population for the preceding fiscal year. Money in the fund shall be used solely for textbooks, instructional software, and instructional materials, supplies, and equipment. Any money in the fund that is not used in any fiscal year shall carry forward to the next fiscal year.

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(CONTINUED)**

**FINDING NUMBER 2007-001
(Continued)**

Ohio Rev. Code Section 3315.18(A) states the board of education of each city, exempted village, local, and joint vocational school district shall establish a capital and maintenance fund. Each board annually shall deposit into that fund an amount derived from revenues received by the district that would otherwise have been deposited in the general fund that is equal to three per cent of the formula amount for the preceding fiscal year, as defined in Section 3317.02 of the Revised Code, or another percentage if established by the Auditor of State under division (B) of this section, multiplied by the district's student population for the preceding fiscal year, except that money received from a permanent improvement levy authorized by section 5705.21 of the Revised Code may replace general revenue moneys in meeting the requirements of this section. Money in the fund shall be used solely for acquisition, replacement, enhancement, maintenance, or repair of permanent improvements, as that term is defined in section 5705.01 of the Revised Code. Any money in the fund that is not used in any fiscal year shall carry forward to the next fiscal year.

During fiscal year 2007, the District did not expend all of the required set-aside for the textbook or capital maintenance reserves. For June 30, 2007, the District's required unspent textbook and capital maintenance set-asides were \$194,488 and \$70,483, respectively, which are required to be carried forward to the next fiscal year. At June 30, 2007, the District had unrestricted cash in the General Fund of \$1,500, which was not enough to cover the required reserve balances. This failure indicates the required restricted cash supporting the reserves was expended for purposes which are in violation of the above code sections.

We recommend the District set aside enough cash to meet the required reserves and monitor expenditures to ensure they are properly spent.

Official's Response:

We are in agreement that enough monies were not set aside to purchase textbooks, and materials as we have done in the past, due to the fact that eight levies failed and there were no funds to put into that account. We are anticipating for this year, at least, that monies will be put aside for textbooks, instructional materials, and capital maintenance fund. When there are no funds available, it is very difficult at best, to buy textbooks and materials when you must pay wages. As soon as possible, within this year or next year, we will try to bring the set asides back up to the normal amount that we are mandated to spend.

FINDING NUMBER 2007-002

Noncompliance Finding

Ohio Rev. Code Section 5705.10(H) states money paid into any fund shall be used only for the purposes for which that fund is established.

At June 30, 2007 the District carried negative cash balance in the Preschool Fund of \$264,313.

The deficit fund balance was the result of the District incorrectly planning on federal funding for the operation of this program. Actual federal funds received were insufficient to cover the operating costs of the preschool, resulting in a negative fund balance.

We recommend the District transfer the funds necessary, when they become available from the General Fund, to alleviate the negative cash balance.

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(CONTINUED)**

**FINDING NUMBER 2007-002
(Continued)**

Official's Response:

Yes, the Preschool Account has been in the deficit position for a matter of two to three years. It was understood when the preschool started that the federal government along with local county agencies would support the preschool fund. In fact, the district barely made \$10,000 a year in order to continue the preschool.

Finally, the preschool had to be shut down during 2006-2007 school year. This deficit will be completely paid off, in the 2007-2008 school year.

FINDING NUMBER 2007-003

Noncompliance Finding

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund shall not exceed the total estimated resources.

The following funds had appropriations exceeding estimated resources at the legal level of budgetary control on June 30, 2007:

Fund Number/Name	Appropriations	Estimated Resources	Variance
018 Public School Support	\$ 173,361	\$ 100,000	(\$ 73,361)
019 Other Grant	\$ 20,417	\$ 15,000	(\$ 5,417)
300 Athletics	\$ 92,156	\$ 75,000	(\$ 17,156)
516 IDEA Grant	\$ 393,518	\$ 348,756	(\$ 44,762)
573 Title VI	\$ 6,245	\$ 4,622	(\$ 1,623)
584 Drug Free School Grant	\$ 9,131	\$ 8,058	(\$ 1,073)
599 Miscellaneous Federal Grants	\$ 6,172	\$ 4,760	(\$ 1,412)
003 Permanent Improvement	\$ 17,183	\$ 0	(\$ 17,183)
010 Ohio School Facilities Commission	\$ 187,408	\$ 149,328	(\$ 38,080)
450 Ohio Schoolnet Plus	\$ 14,457	\$ 10,328	(\$ 4,129)

This weakness could allow expenditures in the above funds to exceed the total of the available fund balance and the current year revenues resulting in a negative cash fund balance.

We recommend the District compare appropriations to estimated resources at the legal level of budgetary control, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at minimum.

Treasurer's Response:

I [John Scott, Treasurer] do not disagree with the numbers that you have, but for the past six years that I have been here, the Board of Education has always required Appropriations to be done, not by individual public fund numbers, but by classification such as; special revenue, general fund, debt service. The Lorain County Auditor's Office has always accepted these amounts as we have given. Also, during the last six years we have been audited, and nothing has been said about these estimated resources going beyond the amount appropriated by fund. We have done spreadsheets on a monthly basis to make sure that we stay within the appropriations at the level that the Board of Education has instituted and the county auditor has accepted. We see no foregoing changes in this for the future.

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(CONTINUED)**

**FINDING NUMBER 2007-003
(Continued)**

Auditor of State Conclusion:

The format in which the County Auditor reviews the District's appropriations (e.g. combined special revenue funds, etc.) is unrelated to the requirement of Ohio Rev. Code Section 5705.39. While the County Auditor has an important oversight role regarding the District's budget, the responsibility for complying with Ohio budget requirements in Chapter 5705 is ultimately with the School District. For example, the District's Treasurer could be personally liable for up to \$10,000 for certifying a qualifying contract for which there are insufficient resources, pursuant to Ohio Rev. Code Section 5705.412. We request the District reconsider this matter.

3. FINDINGS FOR FEDERAL AWARDS

None

**CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Rev. Code Section 5705.10 – Deficit fund balances.	No	Finding repeated as 2007-002.
2006-002	Ohio Rev. Code Sections 5705.14, 5705.15, 5705.36, 5705.39, 5705.41 – Interfund advances.	Yes	Finding corrected.
2006-003	No SAS-70 Report for the service organization processing health claims.	Yes	Finding no longer valid.



Mary Taylor, CPA
Auditor of State

CLEARVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 12, 2008