

**CLEAR FORK VALLEY LOCAL  
SCHOOL DISTRICT**

**RICHLAND COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2004**

**LARRY LIFER, TREASURER**





**Auditor of State  
Betty Montgomery**

Board of Education  
Clear Fork Valley Local School District  
92 Hines Avenue  
Bellville, Ohio 44813-1232

We have reviewed the Independent Auditor's Report of the Clear Fork Valley Local School District, Richland County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

January 26, 2005



**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT**  
**RICHLAND COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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## Independent Auditor's Report

Board of Education  
Clear Fork Valley Local School District  
92 Hines Ave.  
Belleville, Ohio 44813-1232

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clear Fork Valley Local School District, Richland County (the “District”) as of and for the fiscal year ended June 30, 2004, which collectively comprise the District’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clear Fork Valley Local School 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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 Clear Fork Valley Local School District, Richland County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed within Note 3.A. the District restated net assets due to errors and omissions reported in capital assets in prior years.

Independent Auditor's Report  
Clear Fork Valley Local School District  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2004, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clear Fork Valley Local School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Clear Fork Valley Local School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.



Trimble, Julian & Grube, Inc.  
November 7, 2004

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

The management's discussion and analysis of the Clear Fork Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$815,982 which represents a 37.48% increase from 2003.
- General revenues accounted for \$12,719,231 in revenue or 88.14% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$1,711,720 or 11.86% of total revenues of \$14,430,951.
- The District had \$13,614,969 in expenses related to governmental activities; only \$1,711,720 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,719,231 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$11,943,149 in revenues and other financing sources and \$11,708,493 in expenditures. During fiscal year 2004, the general fund's fund balance increased \$234,656 from \$69,381 to \$304,037.
- The debt service fund had \$741,500 in revenues and \$614,142 in expenditures. During fiscal year 2004, the debt service fund's fund balance increased \$127,358 from \$721,862 to \$849,220.

**Using the Basic Financial Statements (BFS)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire 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 District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.



**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those 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 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end 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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the 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 basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

*Proprietary Funds*

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee benefits self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-50 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole. The June 30, 2003 net assets have been restated as described in Note 3.A to the basic financial statements. The table below provides a summary of the District's net assets for 2004 and 2003.

	<u>Net Assets</u>	
	Governmental Activities <u>2004</u>	Restated Governmental Activities <u>2003</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 6,928,718	\$ 5,998,596
Capital assets	<u>10,342,109</u>	<u>10,411,969</u>
Total assets	<u>17,270,827</u>	<u>16,410,565</u>
<b><u>Liabilities</u></b>		
Current liabilities	5,612,943	5,532,141
Long-term liabilities	<u>8,664,720</u>	<u>8,701,242</u>
Total liabilities	<u>14,277,663</u>	<u>14,233,383</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	2,261,635	2,184,930
Restricted	1,150,769	892,795
Unrestricted	<u>(419,240)</u>	<u>(900,543)</u>
Total net assets	<u>\$ 2,993,164</u>	<u>\$ 2,177,182</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$2,993,164.

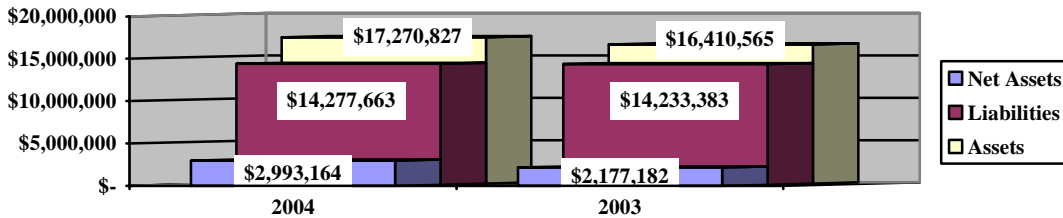
**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

At year-end, capital assets represented 59.88% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$2,261,635. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,150,769, represents resources that are subject to external restriction on how they may be used.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2004 and 2003.

	<u>Change in Net Assets</u>	
	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2003</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 923,617	\$ 665,503
Operating grants and contributions	744,928	639,870
Capital grants and contributions	43,175	-
General revenues:		
Property taxes	4,331,978	4,055,918
Grants and entitlements	8,354,906	7,488,296
Investment earnings	20,020	29,278
Miscellaneous	12,327	61,801
Total revenues	<u>14,430,951</u>	<u>12,940,666</u>

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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	<b>Change in Net Assets</b>	
	Governmental Activities 2004	Governmental Activities 2003
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,325,407	\$ 5,291,853
Special	999,662	981,002
Vocational	117,192	124,388
Adult	343	-
Other	363,045	151,209
Support services:		
Pupil	783,381	705,193
Instructional staff	632,978	676,246
Board of education	59,543	61,041
Administration	1,071,359	1,069,860
Fiscal	296,442	282,289
Operations and maintenance	1,567,565	1,552,067
Pupil transportation	842,445	927,207
Central	35,186	18,846
Food service operations	676,429	666,640
Operations of non-instructional services	40,752	61,688
Extracurricular activities	346,402	401,503
Interest and fiscal charges	456,838	457,083
Total expenses	13,614,969	13,428,115
Increase in net assets	\$ 815,982	\$ (487,449)

**Governmental Activities**

Net assets of the District's governmental activities increased \$815,982. Total governmental expenses of \$13,614,969 were offset by program revenues of \$1,711,720 and general revenues of \$12,719,231. Program revenues supported 12.57% of the total governmental expenses.

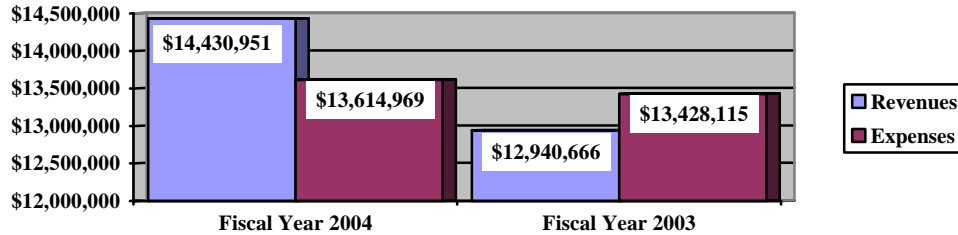
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 87.43% of total governmental revenue. Real estate property is reappraised every six years.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2004 and 2003.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

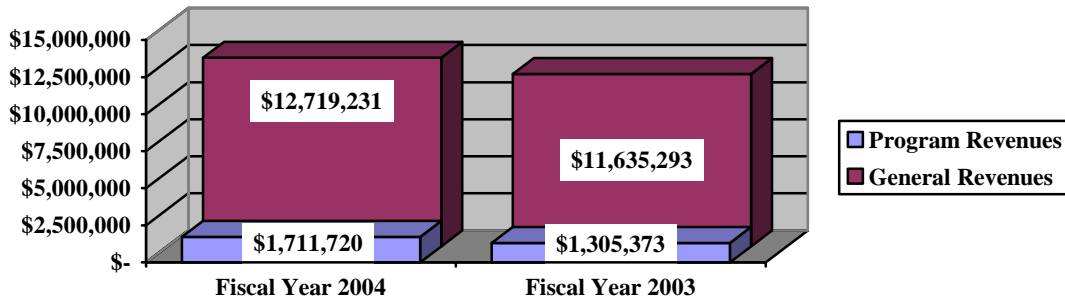
	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,325,407	\$ 4,841,884	\$ 5,291,853	\$ 5,098,440
Special	999,662	830,363	981,002	815,068
Vocational	117,192	114,156	124,388	121,449
Adult	343	343		
Other	363,045	362,625	151,209	151,209
Support services:				
Pupil	783,381	665,793	705,193	604,674
Instructional staff	632,978	478,873	676,246	578,684
Board of education	59,543	59,543	61,041	61,041
Administration	1,071,359	1,066,037	1,069,860	1,067,718
Fiscal	296,442	295,274	282,289	277,578
Operations and maintenance	1,567,565	1,547,445	1,552,067	1,527,991
Pupil transportation	842,445	842,445	927,207	927,207
Central	35,186	35,186	18,846	18,846
Food service operations	676,429	40,074	666,640	83,115
Operations of non-instructional services	40,752	40,752	61,688	55,406
Extracurricular activities	346,402	225,618	401,503	277,233
Interest and fiscal charges	456,838	456,838	457,083	457,083
<b>Total expenses</b>	<u>\$ 13,614,969</u>	<u>\$ 11,903,249</u>	<u>\$ 13,428,115</u>	<u>\$ 12,122,742</u>

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The dependence upon tax and other general revenues for governmental activities is apparent, 90.36% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.43%. The District's taxpayers, as a whole, are by far the primary support for District's students. The graph below presents the District's governmental activities revenue for fiscal years 2004 and 2003.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$1,502,341, which is higher than last year's total of \$1,099,857. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase/ (Decrease)
General	\$ 304,037	\$ 69,381	\$ 234,656
Debt service	849,220	721,862	127,358
Permanent improvement	-	188,365	(188,365)
Other governmental	349,084	120,249	228,835
<b>Total</b>	<b><u>\$ 1,502,341</u></b>	<b><u>\$ 1,099,857</u></b>	<b><u>\$ 402,484</u></b>

**General Fund**

The District's general fund's fund balance increased by \$234,656. The increase in fund balance can be attributed to revenues increasing faster than expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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	<u>2004</u>	<u>2003</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,385,740	\$ 3,182,788	6.38 %
Tuition	252,113	22,633	1,013.92 %
Earnings on investments	20,020	28,353	(29.39) %
Intergovernmental	8,196,438	7,395,972	10.82 %
Other revenues	<u>76,726</u>	<u>71,012</u>	8.05 %
Total	<u>\$ 11,931,037</u>	<u>\$ 10,700,758</u>	11.50 %
<b><u>Expenditures</u></b>			
Instruction	\$ 6,401,899	\$ 5,860,376	9.24 %
Support services	5,042,828	4,816,176	4.70 %
Operation of non-instructional services	43,459	40,415	7.53 %
Extracurricular activities	<u>220,307</u>	<u>220,579</u>	(0.12) %
Total	<u>\$ 11,708,493</u>	<u>\$ 10,937,546</u>	7.05 %

***Debt Service Fund***

The debt service fund had \$741,500 in revenues and \$614,142 in expenditures. During fiscal year 2004, the debt service fund's fund balance increased \$127,358 from \$721,862 to \$849,220. The increase in fund balance can be attributed to modest revenue growth in both taxes and intergovernmental revenue.

***General Fund Budgeting Highlights***

The 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 budgeted fund is the general fund.

During the course of fiscal year 2004, the District amended its general fund budget several times. For the general fund, original revenues and other financing sources were \$11,307,088. The final budgeted revenues and other financing sources were lowered to \$11,258,566. Actual revenues and other financing sources for fiscal year 2004 was \$11,873,715. This represents a \$615,149 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures and other financing uses) of \$12,038,000 were increased to \$12,200,250 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$11,928,877, which was \$271,373 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2004, the District had \$10,342,109 invested in land, buildings and improvements, furniture and equipment, and vehicles. The District's capital assets were restated due to errors and omissions, see note 3.A. to the basic financial statements for details of the restatement and Note 8.A. for capital assets. The entire amount is reported in governmental activities. The following table shows fiscal year 2004 balances compared to 2003:

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2004	Restated 2003
Land	\$ 735,639	\$ 735,639
Building and improvements	8,104,901	8,254,794
Furniture and equipment	810,723	857,443
Vehicles	690,846	564,093
Total	\$ 10,342,109	\$ 10,411,969

Total additions to capital assets for 2004 were \$329,396. Disposals to capital assets for 2004 were \$5,372 (net of accumulated depreciation). Depreciation expense for fiscal year 2004 was \$393,884. Overall, capital assets of the District decreased \$69,860.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2004, the District had \$8,080,474 in general obligation bonds outstanding. Of this total, \$200,000 is due within one year and \$7,880,474 is due within greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2004	Governmental Activities 2003
General obligation bonds	\$ 8,080,474	\$ 8,227,039
Total	\$ 8,080,474	\$ 8,227,039

In 1998, the District issued "1997 Series A" general obligation bonds for building improvements. The general obligation bonds are scheduled to mature in fiscal year 2024 and bear an interest rate of 4.30%. Payment of principal and interest on the "1997 Series A" bonds is being made from the debt service fund.

In 1998, the District issued "School Improvement" general obligation bonds for various building projects. The general obligation bonds are scheduled to mature in fiscal year 2025, interest rates range from 3.90% to 12.52%. Payment of principal and interest on the "School Improvement" bonds is being made from the debt service fund.

At June 30, 2004, the District's overall legal debt margin was \$7,448,792 with an unvoted debt margin of \$163,112.

See Note 9 to the basic financial statements for additional information on the District's debt administration.



**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

**Current Financial Related Activities**

Like many school districts in Ohio, the District is facing the difficult challenge of maintaining the highest standards of service to our students and community while striving to remain financially solvent. The financial concerns facing many districts in Ohio, continues to be an issue in this District. The lack of response by the Governor to the Supreme Court of Ohio's rulings regarding the state's funding of schools continues to create a hardship in the District.

Facing an approximate \$1.2 million deficit in fiscal year 2005, the District began implementing expense reductions beginning in January of 2004. These reductions, along with an increase of real estate taxes collected, provided an unencumbered balance of \$886,249 at the end of fiscal year 2004. The District attempted ballot issues for new operating funds in November 2003 (7.97 mills) which failed having 66% voting against; and in March 2004 (8.98 mills) which failed having 57.3% voting against. The District tried again in August of 2004 (8.98 mills), which also failed having 59.1% voting against. Local voters have not approved new operating funds since November of 1992.

The current outlook for the District shows a deficit balance occurring in fiscal year 2007. The District is on the ballot in November 2004 with a one-percent income tax that would provide a more stable financial position in the upcoming years.

Another issue facing the District is receiving notice from the Ohio School Facilities Commission on August 4, 2004 that the District is being funded new buildings; provided the District is able to obtain the local portion of the funds. The local portion of the project (with no extras) is approximately \$10.6 million; the equivalent of approximately 4.1 mills for 28 years. The District has until August 3<sup>rd</sup>, 2005 to pass an issue to raise these funds or risk falling out of the funding cycle.

The District continues to face many challenges in the future and stabilizing the District's finances is critical to continuing the long-standing tradition of academic excellence. The Community takes pride in its schools and values the education their students receive. The Board of Education along with the Administration is committed to working with the community in order to maintain their support and to continue operating a safe, effective and efficient school system.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Larry Lifer, Treasurer at 92 Hines Avenue, Bellville, Ohio 44813.

**BASIC  
FINANCIAL STATEMENTS**

**CLEAR FORK LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 2,133,597
Receivables:	
Taxes . . . . .	4,670,433
Accounts . . . . .	7,972
Intergovernmental . . . . .	65,736
Accrued interest . . . . .	2,374
Prepayments . . . . .	40,544
Materials and supplies inventory . . . . .	8,062
Capital assets:	
Land . . . . .	735,639
Depreciable capital assets, net . . . . .	9,606,470
Capital assets, net. . . . .	10,342,109
 Total assets. . . . .	 17,270,827
 <b>Liabilities:</b>	
Accounts payable. . . . .	3,399
Accrued wages and benefits . . . . .	956,246
Pension obligation payable. . . . .	320,483
Intergovernmental payable . . . . .	85,959
Deferred revenue . . . . .	3,947,963
Accrued interest payable . . . . .	37,673
Claims payable . . . . .	261,220
Long-term liabilities:	
Due within one year. . . . .	225,851
Due within more than one year . . . . .	8,438,869
 Total liabilities . . . . .	 14,277,663
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	2,453,599
Restricted for:	
Capital projects . . . . .	267,850
Debt service. . . . .	882,919
Unrestricted. . . . .	(611,204)
 Total net assets . . . . .	 \$ 2,993,164

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CLEAR FORK LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

		Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,325,407	\$ 318,519	\$ 121,829	\$ 43,175	\$ (4,841,884)
Special . . . . .	999,662	-	169,299	-	(830,363)
Vocational . . . . .	117,192	-	3,036	-	(114,156)
Adult . . . . .	343	-	-	-	(343)
Other . . . . .	363,045	420	-	-	(362,625)
Support services:					
Pupil . . . . .	783,381	38,811	78,777	-	(665,793)
Instructional staff . . . . .	632,978	1,208	152,897	-	(478,873)
Board of education . . . . .	59,543	-	-	-	(59,543)
Administration . . . . .	1,071,359	-	5,322	-	(1,066,037)
Fiscal . . . . .	296,442	-	1,168	-	(295,274)
Operations and maintenance . . . . .	1,567,565	6,556	13,564	-	(1,547,445)
Pupil transportation . . . . .	842,445	-	-	-	(842,445)
Central . . . . .	35,186	-	-	-	(35,186)
Operation of non-instructional services:					
Food service operations . . . . .	676,429	437,319	199,036	-	(40,074)
Other non-instructional services . . . . .	40,752	-	-	-	(40,752)
Extracurricular activities . . . . .	346,402	120,784	-	-	(225,618)
Interest and fiscal charges . . . . .	456,838	-	-	-	(456,838)
<b>Total governmental activities . . . . .</b>	<b><u>\$ 13,614,969</u></b>	<b><u>\$ 923,617</u></b>	<b><u>\$ 744,928</u></b>	<b><u>\$ 43,175</u></b>	<b><u>(11,903,249)</u></b>
<b>General Revenue</b>					
Property taxes levied for:					
General purposes . . . . .					3,500,313
Debt service . . . . .					644,393
Capital projects . . . . .					187,272
Grants and entitlements not restricted to specific programs . . . . .					8,354,906
Investment earnings . . . . .					20,020
Miscellaneous . . . . .					12,327
<b>Total general revenues . . . . .</b>					<b><u>12,719,231</u></b>
Change in net assets . . . . .					815,982
Net assets at beginning of year (restated) . . . . .					<u>2,177,182</u>
Net assets at end of year . . . . .					<b><u>\$ 2,993,164</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CLEAR FORK LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 919,467	\$ 794,916	\$ 375,065	\$ 2,089,448
Receivables:				
Taxes . . . . .	3,757,609	717,984	194,840	4,670,433
Accounts . . . . .	7,608	-	364	7,972
Accrued interest . . . . .	2,056	-	318	2,374
Interfund loan receivable . . . . .	95,000	-	-	95,000
Intergovernmental . . . . .	27,180	-	38,556	65,736
Prepayments. . . . .	40,544	-	-	40,544
Materials and supplies inventory . . . . .	-	-	8,062	8,062
Total assets . . . . .	<u>\$ 4,849,464</u>	<u>\$ 1,512,900</u>	<u>\$ 617,205</u>	<u>\$ 6,979,569</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 3,399	\$ -	\$ -	\$ 3,399
Accrued wages and benefits . . . . .	878,386	-	77,860	956,246
Compensated absences payable . . . . .	1,173	-	-	1,173
Pension obligation payable . . . . .	175,692	-	7,008	182,700
Intergovernmental payable . . . . .	79,113	-	6,846	85,959
Deferred revenue . . . . .	<u>3,407,664</u>	<u>663,680</u>	<u>176,407</u>	<u>4,247,751</u>
Total liabilities . . . . .	<u>4,545,427</u>	<u>663,680</u>	<u>268,121</u>	<u>5,477,228</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	28,457	-	156,963	185,420
Reserved for materials and supplies inventory . . . . .	-	-	8,062	8,062
Reserved for prepayments. . . . .	40,544	-	-	40,544
Reserved for tax revenue available for appropriation. . . . .	276,537	45,709	14,232	336,478
Reserved for debt service . . . . .	-	803,511	-	803,511
Unreserved, undesignated (deficit), reported in:				
General fund. . . . .	(41,501)	-	-	(41,501)
Special revenue funds. . . . .	-	-	85,311	85,311
Capital projects funds. . . . .	-	-	84,516	84,516
Total fund balances . . . . .	<u>304,037</u>	<u>849,220</u>	<u>349,084</u>	<u>1,502,341</u>
Total liabilities and fund balances. . . . .	<u>\$ 4,849,464</u>	<u>\$ 1,512,900</u>	<u>\$ 617,205</u>	<u>\$ 6,979,569</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CLEAR FORK LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

<b>Total governmental fund balances</b>		\$ 1,502,341
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,342,109
Other long-term assets (taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.		299,788
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.		(312,071)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	583,073	
Pension obligation payable	137,783	
General obligation bonds	8,080,474	
Accrued interest payable	37,673	
	_____	
Total		(8,839,003)
<b>Net assets of governmental activities</b>		\$ 2,993,164

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CLEAR FORK LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,385,740	\$ 623,015	\$ 181,637	\$ 4,190,392
Tuition. . . . .	252,113	-	420	252,533
Charges for services. . . . .	-	-	436,096	436,096
Earnings on investments. . . . .	20,020	-	1,243	21,263
Extracurricular. . . . .	274	-	149,678	149,952
Classroom materials and fees . . . . .	64,320	-	-	64,320
Other local revenues. . . . .	12,132	-	19,668	31,800
Intergovernmental - state . . . . .	8,158,230	118,485	167,092	8,443,807
Intergovernmental - federal. . . . .	38,208	-	651,316	689,524
Total revenues . . . . .	<u>11,931,037</u>	<u>741,500</u>	<u>1,607,150</u>	<u>14,279,687</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,069,607	-	171,172	5,240,779
Special. . . . .	864,663	-	163,579	1,028,242
Adult . . . . .	-	-	343	343
Vocational. . . . .	111,438	-	3,051	114,489
Other . . . . .	356,191	-	6,870	363,061
Support services:				
Pupil. . . . .	671,270	-	115,496	786,766
Instructional staff . . . . .	485,746	-	144,283	630,029
Board of education . . . . .	59,731	-	-	59,731
Administration. . . . .	1,022,889	-	4,493	1,027,382
Fiscal . . . . .	274,534	13,413	4,919	292,866
Operations and maintenance. . . . .	1,477,383	-	72,828	1,550,211
Pupil transportation . . . . .	1,016,089	-	-	1,016,089
Central. . . . .	35,186	-	-	35,186
Operation of non-instructional services:				
Food service operations . . . . .	-	-	634,902	634,902
Other non-instructional services . . . . .	43,459	-	-	43,459
Extracurricular activities. . . . .	220,307	-	140,828	361,135
Facilities acquisition and construction . . . . .	-	-	94,621	94,621
Debt service:				
Principal retirement . . . . .	-	185,000	-	185,000
Interest and fiscal charges . . . . .	-	415,729	-	415,729
Total expenditures . . . . .	<u>11,708,493</u>	<u>614,142</u>	<u>1,557,385</u>	<u>13,880,020</u>
Excess of revenues over expenditures . . . . .	<u>222,544</u>	<u>127,358</u>	<u>49,765</u>	<u>399,667</u>
<b>Other financing sources:</b>				
Proceeds from sale of capital assets . . . . .	12,112	-	-	12,112
Total other financing sources . . . . .	<u>12,112</u>	<u>-</u>	<u>-</u>	<u>12,112</u>
Net change in fund balances . . . . .	234,656	127,358	49,765	411,779
<b>Fund balances at beginning of year . . . . .</b>	<b>69,381</b>	<b>721,862</b>	<b>308,614</b>	<b>1,099,857</b>
<b>Decrease in reserve for inventory. . . . .</b>	<b>-</b>	<b>-</b>	<b>(9,295)</b>	<b>(9,295)</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$ 304,037</u></b>	<b><u>\$ 849,220</u></b>	<b><u>\$ 349,084</u></b>	<b><u>\$ 1,502,341</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CLEAR FORK LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	411,779
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$393,884) exceed capital outlays (\$329,396) in the current period.		(64,488)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(5,372)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		(9,295)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		151,264
Repayment of bonds are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		185,000
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		(41,109)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(150,855)
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 of the internal service fund is allocated among the governmental activities.		339,058
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>815,982</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.



**CLEAR FORK LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,364,600	\$ 3,350,162	\$ 3,533,209	\$ 183,047
Tuition. . . . .	240,082	239,052	252,113	13,061
Earnings on investments. . . . .	17,107	17,033	17,964	931
Extracurricular. . . . .	261	260	274	14
Classroom materials and fees . . . . .	61,155	60,893	64,220	3,327
Other local revenues. . . . .	11,374	11,325	11,944	619
Intergovernmental - state . . . . .	7,580,910	7,548,378	7,964,826	416,448
Intergovernmental - federal . . . . .	19,718	19,633	16,689	(2,944)
Total revenues . . . . .	<u>11,295,207</u>	<u>11,246,736</u>	<u>11,861,239</u>	<u>614,503</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,298,974	5,370,395	5,103,603	266,792
Special. . . . .	916,283	928,633	866,100	62,533
Vocational. . . . .	115,250	116,803	110,804	5,999
Other. . . . .	345,099	349,750	362,497	(12,747)
Support services:				
Pupil. . . . .	587,784	595,706	672,200	(76,494)
Instructional staff . . . . .	472,691	479,062	490,602	(11,540)
Board of education . . . . .	57,639	58,416	62,834	(4,418)
Administration. . . . .	1,090,506	1,105,204	1,047,773	57,431
Fiscal . . . . .	263,792	267,347	275,719	(8,372)
Operations and maintenance. . . . .	1,505,987	1,526,285	1,517,197	9,088
Pupil transportation . . . . .	965,864	978,882	1,026,631	(47,749)
Central. . . . .	48,743	49,400	35,186	14,214
Operation of non-instructional services . . . . .	37,955	38,467	44,485	(6,018)
Extracurricular activities. . . . .	237,696	240,900	218,246	22,654
Total expenditures . . . . .	<u>11,944,263</u>	<u>12,105,250</u>	<u>11,833,877</u>	<u>271,373</u>
Excess of revenues over (under) expenditures. . . . .	<u>(649,056)</u>	<u>(858,514)</u>	<u>27,362</u>	<u>885,876</u>
<b>Other financing sources (uses):</b>				
Advances (out). . . . .	(93,737)	(95,000)	(95,000)	-
Refund of prior year expenditures . . . . .	347	345	364	19
Proceeds from sale of capital assets . . . . .	11,534	11,485	12,112	627
Total other financing sources (uses) . . . . .	<u>(81,856)</u>	<u>(83,170)</u>	<u>(82,524)</u>	<u>646</u>
Net change in fund balance . . . . .	(730,912)	(941,684)	(55,162)	886,522
<b>Fund balance at beginning of year. . . . .</b>	941,685	941,685	941,685	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 210,773</u>	<u>\$ 1</u>	<u>\$ 886,523</u>	<u>\$ 886,522</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CLEAR FORK LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 44,149
Total assets . . . . .	<u>44,149</u>
<b>Liabilities:</b>	
Claims payable . . . . .	261,220
Interfund loan payable . . . . .	<u>95,000</u>
Total liabilities . . . . .	<u>356,220</u>
<b>Net assets:</b>	
Unrestricted. . . . .	<u>(312,071)</u>
Total net assets . . . . .	<u><u>\$ (312,071)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CLEAR FORK LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 1,839,920
Total operating revenues . . . . .	<u>1,839,920</u>
<b>Operating expenses:</b>	
Fringe benefits . . . . .	107,254
Claims . . . . .	<u>1,393,608</u>
Total operating expenses . . . . .	<u>1,500,862</u>
Change in net assets . . . . .	339,058
<b>Net assets at beginning of year . . . . .</b>	<u>(651,129)</u>
<b>Net assets at end of year . . . . .</b>	<u><u>\$ (312,071)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CLEAR FORK LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 1,839,920
Cash payments for fringe benefits. . . . .	(107,254)
Cash payments for claims. . . . .	<u>(1,409,416)</u>
Net cash provided by operating activities . . . . .	<u>323,250</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash used in repayment of interfund loans. . . . .	(374,101)
Cash received from interfund loans . . . . .	<u>95,000</u>
Net cash used in noncapital financing activities . . . . .	<u>(279,101)</u>
Net increase in cash and cash equivalents . . . . .	<u>44,149</u>
<b>Cash and cash equivalents at beginning of year. . .</b>	<b>-</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 44,149</u></b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income. . . . .	\$ 339,058
Changes in assets and liabilities:	
Decrease in claims payable . . . . .	<u>(15,808)</u>
Net cash provided by operating activities . . . . .	<u>\$ 323,250</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CLEAR FORK LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 25,495	\$ 85,675
Receivables:		
Accrued interest . . . . .	24	-
Total assets . . . . .	25,519	\$ 85,675
<b>Liabilities:</b>		
Intergovernmental payable . . . . .	-	\$ 1,747
Due to students . . . . .	-	83,928
Total liabilities . . . . .	-	\$ 85,675
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	25,519	
Total net assets . . . . .	\$ 25,519	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CLEAR FORK LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 275
Total additions. . . . .	275
<b>Deductions:</b>	
Scholarships awarded . . . . .	5,386
Change in net assets . . . . .	(5,111)
<b>Net assets at beginning of year . . . . .</b>	<b>30,630</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 25,519</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Clear Fork Valley Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established in 1963 through the consolidation of existing land areas and school districts. The District serves an area of approximately 110 square miles. It is located in Richland and Knox Counties, and includes the Cities of Bellville and Butler and portions of Jefferson, Worthington, Washington, and Perry Townships in Richland County and portions of Pike and Brown Townships in Knox County.

The District is the 303<sup>rd</sup> largest in the State of Ohio (out of approximately 613 public school districts) in terms of enrollment. It is staffed by 84 non-certificated employees and 121 certificated full-time teaching personnel who provide services to 1,859 students and other community members. The District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 governmental and business-type activity and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The District’s significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial 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, preschool 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’ government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:



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RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*JOINTLY GOVERNED ORGANIZATIONS*

Heartland Council of Governments (the "COG")

The COG is a jointly governed organization among 21 school districts and 2 county boards of education. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic technology for administrative and instructional functions. Each member district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in the COG.

Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Knox County Career Center

The Knox County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. Financial information may be obtained from the treasurer for Knox County Career Center, at 306 Martinsburg Road, Mount Vernon, Ohio 43050.

*INSURANCE PURCHASING POOLS*

Ohio Mid-Eastern Regional Educational Services Agency

The District is a participant with several other school districts in an insurance purchasing pool to operate the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA). OME-RESA was formed for the purpose of providing insurance. OME-RESA is governed by a board of directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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:

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*General Fund* - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

***PROPRIETARY FUND***

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal Service Fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical, dental and vision benefits to employees.

***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's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities.

**C. Basis of Presentation and Measurement Focus**

*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. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

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.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one 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.

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 statements for governmental funds.

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 fund 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**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 fiduciary funds also use the accrual basis of accounting.

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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 (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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, interest, tuition, grants, student fees and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds (except Agency). The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund budgetary statement comparison at the fund and function level.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2004, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the Food Service special revenue fund, the Building capital projects fund, the Employee Benefits Self-Insurance internal service fund, and the private-purpose trust fund. The Food Service special revenue fund receives interest earnings based upon federal mandate. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$20,020, which includes \$9,804 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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 in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements 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 \$3,000. 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. The District does not possess infrastructure.

All reported capital assets except 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>Description</u>	Governmental Activities <u>Estimated Lives</u>
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	4 - 10 years

**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 governmental activities column on the Statement of Net Assets.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least 20 years of current service with the District, or 15 years of service and 45 years of age, or 5 years of service and 50 years old were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid 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, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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



**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Fund Balance Reserves**

The District reserves those portions of fund equity 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 equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, and debt service. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**M. 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 employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**O. Estimates**

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

**P. Interfund Activity**

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 and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basis financial statements.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Restatement of Net Assets**

The beginning net assets of the governmental activities have been restated due to errors and omissions reported in capital assets at June 30, 2003. The adjustment for capital assets had the following effect on net assets as previously reported:

	Governmental Activities
Net assets, June 30, 2003	\$ 1,777,372
Adjustment for capital assets	399,810
Restated adjusted net assets, June 30, 2003	\$ 2,177,182

**B. Deficit Fund Balances/Net Assets**

Fund balances/net assets at June 30, 2004 included the following individual fund deficits:

<u>Funds</u>	<u>Fund Deficits</u>
<u>Nonmajor Governmental Funds</u>	
Ohio Reads	\$ 144
Summer Intervention	345
IDEA Part B, Special Education	736
Title I	1,653
Drug-Free Grant	36
Class Size Reduction	515
Miscellaneous Federal Grants	70
Internal Service Fund	312,071

The nonmajor governmental funds and the Employee Benefit Self-Insurance Internal Service fund complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the non-major governmental funds result from adjustments for accrued liabilities.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The deficit net assets in the Employee Benefits Self-Insurance internal service fund is the result of accruing a liability for claims incurred before June 30 but not paid until after that date and an interfund loan to cover the cash deficit at year-end. This deficit will be eliminated as premiums are received to cover the claims.

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings 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 finance 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 deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument 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.

*Cash on hand:* At fiscal year-end, the District had \$700 in undeposited cash on hand, which is included on the basic financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

At June 30, 2004, the District had a negative cash balance with the Ohio Mid-Eastern Regional Education Service Agency. To eliminate this negative balance, the general fund loaned the internal service fund \$95,000. This amount has been included in the basic financial statements as "Interfund Loan Payable".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At year-end, the carrying amount of the District's deposits was \$(274,372) and the bank balance was \$29,803. The entire bank balance was covered by federal deposit insurance deposited with the District.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

The District had investments of \$2,518,439 in STAR Ohio at June 30, 2004. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,244,767	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(2,518,439)	2,518,439
Cash on hand	<u>(700)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ (274,372)</u>	<u>\$ 2,518,439</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loan receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Employee Benefits Self-Insurance internal service fund	\$ 95,000

The primary purpose of the interfund balance is to cover the deficit cash balance in the Employee Benefits Self-Insurance fund on hand with OME-RESA. This interfund balance will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Activity between governmental funds and internal service funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the statement of net assets.

**NOTE 6 - PROPERTY TAXES**

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

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Richland and Knox Counties. 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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$276,537 in the general fund, \$45,709 in the debt service fund and \$14,232 in the permanent improvement fund (other governmental funds). This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$215,680 in the general fund, \$39,737 in the debt service fund and \$11,697 in the permanent improvement fund.

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

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 138,163,860	86.72%	\$ 142,071,640	87.10%
Public utility personal	12,907,430	8.10%	13,292,890	8.15%
Tangible personal property	<u>8,245,804</u>	<u>5.18%</u>	<u>7,747,095</u>	<u>4.75%</u>
Total	<u>\$ 159,317,094</u>	<u>100.00%</u>	<u>\$ 163,111,625</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 56.60		\$ 56.60	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered 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. A summary of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Property Taxes	\$ 4,670,433
Accounts	7,972
Intergovernmental	65,736
Accrued interest	<u>2,374</u>
Total	<u>\$ 4,746,515</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS**

- A. The capital asset balances of the government activities have been restated due to errors and omissions in the amounts reported as vehicles in the previous year. See Note 3.A. for detail:

	Balance June 30, 2003	Adjustments	Restated Balance July 1, 2003
<b>Governmental Activities:</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 735,639	\$ -	\$ 735,639
Total capital assets, not being depreciated	<u>735,639</u>	<u>-</u>	<u>735,639</u>
<i>Capital assets, being depreciated:</i>			
Buildings and improvement	12,181,594	-	12,181,594
Furniture and equipment	1,825,278	-	1,825,278
Vehicles	<u>1,288,536</u>	<u>303,050</u>	<u>1,591,586</u>
Total capital assets, being depreciated	<u>15,295,408</u>	<u>303,050</u>	<u>15,598,458</u>
<i>Less: accumulated depreciation</i>	<u>(6,018,888)</u>	<u>96,760</u>	<u>(5,922,128)</u>
Governmental activities capital assets, net	<u>\$ 10,012,159</u>	<u>\$ 399,810</u>	<u>\$ 10,411,969</u>

- B. Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 735,639	\$ -	\$ -	\$ 735,639
Total capital assets, not being depreciated	<u>735,639</u>	<u>-</u>	<u>-</u>	<u>735,639</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	12,181,594	65,000	-	12,246,594
Furniture and equipment	1,825,278	66,898	-	1,892,176
Vehicles	<u>1,591,586</u>	<u>197,498</u>	<u>(66,213)</u>	<u>1,722,871</u>
Total capital assets, being depreciated	<u>15,598,458</u>	<u>329,396</u>	<u>(66,213)</u>	<u>15,861,641</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(3,926,800)	(214,893)	-	(4,141,693)
Furniture and equipment	(967,835)	(113,618)	-	(1,081,453)
Vehicles	<u>(1,027,493)</u>	<u>(65,373)</u>	<u>60,841</u>	<u>(1,032,025)</u>
Total accumulated depreciation	<u>(5,922,128)</u>	<u>(393,884)</u>	<u>60,841</u>	<u>(6,255,171)</u>
Governmental activities capital assets, net	<u>\$ 10,411,969</u>	<u>\$ (64,488)</u>	<u>\$ (5,372)</u>	<u>\$ 10,342,109</u>



**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 229,852
Special	5,380
Vocational	7,111
 <u>Support Services:</u>	
Pupil	3,125
Instructional staff	16,877
Administration	7,226
Operations and maintenance	21,215
Pupil transportation	59,923
Extracurricular activities	15,793
Food service operations	<u>27,382</u>
 Total depreciation expense	 <u>\$ 393,884</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2004</u>	Amounts Due in <u>One Year</u>
General obligation bonds	\$ 8,227,039	\$ 38,435	\$ (185,000)	\$ 8,080,474	\$ 200,000
Compensated absences	<u>474,203</u>	<u>160,321</u>	<u>(50,278)</u>	<u>584,246</u>	<u>25,851</u>
Total governmental activities	<u>\$ 8,701,242</u>	<u>\$ 198,756</u>	<u>\$ (235,278)</u>	<u>\$ 8,664,720</u>	<u>\$ 225,851</u>

B. *1997 Series A Bonds* - In March 1998, the District issued \$950,000 in voted general obligation bonds for building improvements. The bonds were issued for 27 years with final maturity at December 2024. The bonds will be retired from the debt service fund. The interest rate on the bonds is currently 4.30%.

*School Improvement Bonds* - During fiscal year 1998, the District issued general obligation bonds to provide funds for various District building projects. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

This issue is comprised of both current interest bonds, par value \$7,610,000, and capital appreciation bonds, par value \$3,230,000. The interest rates on the current interest bonds range from 3.90% to 5.375%. The capital appreciation bonds mature on December 1, 2022 (effective interest 12.518%), December 1, 2023 (effective interest 12.518%) and December 1, 2024 (effective interest 12.518%) and December 1, 2025 (effective interest 12.518%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2004 was \$153,510. A total of \$191,964 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2004.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2024.

The following is a schedule of activity for the general obligation bonds:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>
Current interest bonds - 1997 Series A	\$ 865,000	\$ -	\$ (20,000)	\$ 845,000
Current interest bonds - school improvement	7,055,000	-	(165,000)	6,890,000
Capital appreciation bonds - school improvement	<u>307,039</u>	<u>38,435</u>	<u>-</u>	<u>345,474</u>
Total	<u>\$ 8,227,039</u>	<u>\$ 38,435</u>	<u>\$ (185,000)</u>	<u>\$ 8,080,474</u>

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

<u>Fiscal</u> <u>Year Ending</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 200,000	\$ 406,780	\$ 606,780	\$ -	\$ -	\$ -
2006	215,000	396,923	611,923	-	-	-
2007	250,000	385,642	635,642	-	-	-
2008	265,000	372,968	637,968	-	-	-
2009	285,000	359,226	644,226	-	-	-
2010 - 2014	1,915,000	1,529,989	3,444,989	-	-	-
2015 - 2019	2,875,000	897,999	3,772,999	-	-	-
2020 - 2024	1,665,000	142,818	1,807,818	2,385,000	-	2,385,000
2025	<u>65,000</u>	<u>2,047</u>	<u>67,047</u>	<u>845,000</u>	<u>-</u>	<u>845,000</u>
Total	<u>\$ 7,735,000</u>	<u>\$ 4,494,392</u>	<u>\$ 12,229,392</u>	<u>\$ 3,230,000</u>	<u>\$ -</u>	<u>\$ 3,230,000</u>

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$7,448,792 (including available funds of \$849,220) and an unvoted debt margin of \$163,112.

**NOTE 10 - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 235 days for all certified employees and up to 250 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit, to a maximum of 55 days for both classified and certificated employees.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	The Midwestern		
Each occurrence	Indemnity	\$ 1,000,000	\$ 0
Aggregate	Company	2,000,000	\$ 0
Property/building and contents	The Midwestern	42,998,548	\$1,000
	Indemnity		
	Company		
Fleet:			
Comprehensive	Consolidated	1,000,000	\$ 500
Collision	Insurance	1,000,000	\$1,000
	Company		
Umbrella liability	Indiana Insurance	4,000,000	\$ 0

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. General liability coverage was reduced this fiscal year from \$2,000,000/\$5,000,000 to \$1,000,000/\$2,000,000. Fleet coverage was also reduced this fiscal year from \$2,000,000/\$2,000,000 to \$1,000,000/\$1,000,000. The Umbrella liability coverage was increased from \$2,000,000 last fiscal year to \$4,000,000 this year.

**B. Workers' Compensation**

Due to excessive claims between January 1999 and December 2002, the district was not eligible to participate in a group-rating program for the 2004 rate year. Sheakley Uniservice, Inc. provides the District with administrative functions, cost control, and actuarial services.

**C. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company.

**D. Employee Group Medical/Surgical, Dental and Vision Insurance**

Medical/surgical, dental and vision insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of 74 school districts within the state, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$261,220 reported in the internal service fund at June 30, 2004 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2004	\$ 277,028	\$ 1,377,800	\$ (1,393,608)	\$ 261,220
2003	204,584	1,515,160	(1,442,716)	277,028

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (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 State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% 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 adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$264,691, \$258,191, and \$235,973, respectively; 43.35% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$149,940, represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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% 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 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$741,864, \$711,756, and \$685,139, respectively; 82.11% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$132,720 represents the unpaid contribution for fiscal year 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$52,990 during fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003 (the latest information available), net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available) were \$204.931 million and the target level was \$307.4 million. At June 30, 2003 (the latest information available), SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$118,850 during the 2004 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (55,162)
Net adjustment for revenue accruals	69,798
Net adjustment for expenditure accruals	92,440
Net adjustment for other sources/uses	94,636
Adjustment for encumbrances	32,944
GAAP basis	\$ 234,656

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is party to legal proceedings seeking damage or injunctive relief generally incidental to its operations and spending projects. The District is of the opinion that the disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**C. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.



**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2003	\$ (143,533)	\$ (236,458)
Current year set-aside requirement	249,257	249,257
Current year offsets	-	(190,413)
Qualifying disbursements	<u>(260,782)</u>	<u>(153,620)</u>
Total	<u>\$ (155,058)</u>	<u>\$ (331,234)</u>
Cash balance carried forward to FY 2005	<u>\$ (155,058)</u>	<u>\$ (331,234)</u>

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials reserve. These extra amounts may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year. The capital acquisition reserve had debt related offsets that may be carried forward to future years. Excess qualifying disbursements may not be carried forward.

**NOTE 17 - SIGNIFICANT SUBSEQUENT EVENT**

Lorraine Earnest resigned as Treasurer effective July 1, 2004. Larry Lifer was hired as Treasurer beginning August 2, 2004. James Klenk resigned as Superintendent effective July 31, 2004. Daniel Freund was hired as Superintendent beginning September 7, 2004.

## **SUPPLEMENTAL DATA**

CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
 SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A),(B) Food Distribution	10.550	N/A	\$ -	\$ 36,639	\$ -	\$ 36,639
(A),(C) School Breakfast	10.553	049411-05-PU-2004	7,225	-	7,225	-
(A),(C) National School Lunch	10.555	049411-LL-P4-2003	32,915	-	32,915	-
(A),(C) National School Lunch	10.555	049411-LL-P4-2004	103,342	-	103,342	-
(A),(C) Special Milk	10.556	049411-02-PU-2003	408	-	408	-
(A),(C) Special Milk	10.556	049411-02-PU-2004	1,280	-	1,280	-
<b>Total U.S. Department of Agriculture and Nutrition Cluster</b>			<u>145,170</u>	<u>36,639</u>	<u>145,170</u>	<u>36,639</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I - Grants to Local Educational Agencies	84.010	049411-C1-S1-2003	-		21,770	
Title I - Grants to Local Educational Agencies	84.010	049411-C1-S1-2004	157,399		146,094	
<b>Total Title I - Grants to Local Educational Agencies</b>			<u>157,399</u>		<u>167,864</u>	
IDEA-Part B - Special Education: Grants to States	84.027	049411-6B-SF-2003-P	10,460		10,460	
IDEA-Part B - Special Education: Grants to States	84.027	049411-6B-SF-2004-P	191,274		173,052	
<b>Total IDEA - Part B - Special Education Grants to States</b>			<u>201,734</u>		<u>183,512</u>	
Safe and Drug-Free Schools Grants	84.186	049411-DR-S1-2004	7,375		7,375	
Title VI - Innovative Educational Program Strategies	84.298	049411-C2-S1-2004	9,873		9,873	
Technology Literacy Challenge	84.318	049411-TJ-S1-2004	4,540		4,540	
Advance Placement Program	84.330	049411-AV-S1-2003	50		-	
School Renovation, IDEA and Technology	84.352A	049411-TR-S1-2003	-		301	
School Renovation, IDEA and Technology	84.352A	049411-TR-S1-2004	64,071		58,095	
<b>Total School Renovation, IDEA and Technology</b>			<u>64,071</u>		<u>58,396</u>	
<b>Total U.S. Department of Education</b>			<u>445,042</u>		<u>431,560</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:</b>						
Community Alternative Funding System Program	93.778	N/A	16,689		16,689	
<b>Total U.S. Department of Health and Human Services</b>			<u>16,689</u>		<u>16,689</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 606,901</u>	<u>\$ 36,639</u>	<u>\$ 593,419</u>	<u>\$ 36,639</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) This schedule was prepared on the cash basis of accounting.

# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Education  
Clear Fork Valley Local School District  
92 Hines Avenue  
Bellville, Ohio 44813

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clear Fork Valley Local School District, Richland County, (the “District”), as of and for the fiscal year ended June 30, 2004, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated November 7, 2004.

Board of Education  
Clear Fork Valley Local School District

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Trimble, Julian & Grube, Inc.".

Trimble, Julian & Grube, Inc.  
November 7, 2004

# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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## **Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133***

Board of Education  
Clear Fork Valley Local School District  
92 Hines Avenue  
Bellville, Ohio 44813

### Compliance

We have audited the compliance of the Clear Fork Valley Local School District, Richland County, (the “District”) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2004. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

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

Board of Education  
Clear Fork Valley Local School District

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2004.

Internal Control Over Compliance

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

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

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



Trimble, Julian & Grube, Inc.  
November 7, 2004

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Special Education: Grants to States; IDEA-Part B: CFDA #84.027
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes



**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





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**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 10, 2005**