

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003***

LORRAINE EARNEST, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Clear Fork Valley Local School District
Bellville, Ohio

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, 2002 through June 30, 2003. 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

February 11, 2004

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

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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 Avenue
Bellville, OH 44813

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, 2003, 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 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, as of June 30, 2003, 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 in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the fiscal year ended June 30, 2003. In addition, the District had a change in accounting principle for its threshold for fixed assets as disclosed in Note 2H.

Independent Auditor's Report
Clear Fork Valley Local School District

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 performed for the purpose of forming an opinion on the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, taken as a whole. 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Trimble, Julian & Grube, Inc.
January 28, 2004

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

The discussion and analysis of the Clear Fork Valley 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, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities decreased \$487,449 which represents a 21.52% decrease from 2002.
- General revenues accounted for \$11,635,293 in revenue or 89.91% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,305,373 or 10.09% of total revenues of \$12,940,666.
- The District had \$13,428,115 in expenses related to governmental activities; only \$1,305,373 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,635,293 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and permanent improvement fund. The general fund had \$10,703,870 in revenues and other financing sources and \$10,937,546 in expenditures. During fiscal 2003, the general fund's fund balance decreased \$233,676 from \$303,057 to \$69,381.
- The debt service fund had \$674,229 in revenues and \$589,452 in expenditures. During fiscal 2003, the debt service fund's fund balance increased \$84,777 from \$637,085 to \$721,862.
- The permanent improvement fund had \$249,623 in revenues and \$730,117 in expenditures. During fiscal 2003, the permanent improvement fund's fund balance decreased \$480,494 from \$668,859 to \$188,365.

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, debt service fund and permanent improvement 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, 2003
UNAUDITED**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a 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 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account 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 of non-instructional services and extracurricular activities.

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, debt service fund and the permanent improvement 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.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2003.

	Net Assets
	Governmental Activities 2003
<u>Assets</u>	
Current and other assets	\$ 5,998,596
Capital assets	10,012,159
Total assets	16,010,755
<u>Liabilities</u>	
Current liabilities	5,532,141
Long-term liabilities	8,701,242
Total liabilities	14,233,383
<u>Net Assets</u>	
Invested in capital assets, net of related debt	1,785,120
Restricted	892,795
Unrestricted	(900,543)
Total net assets	\$ 1,777,372

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$1,777,372.

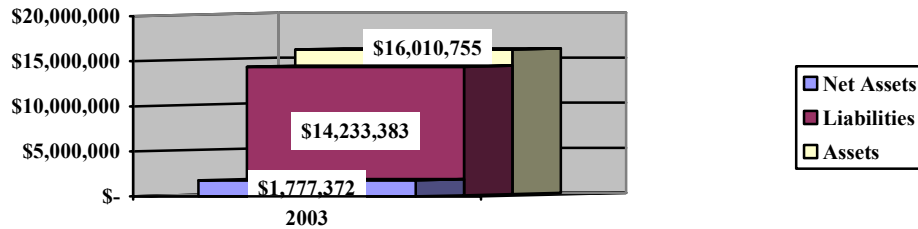
At year-end, capital assets represented 62.53% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2003, was \$1,785,120. These capital assets are used to provide services 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, \$892,795, represents resources that are subject to external restriction on how they may be used.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

Governmental Activities



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities <u>2003</u>
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 665,503
Operating grants and contributions	639,870
General revenues:	
Property taxes	4,055,918
Grants and entitlements	7,488,296
Investment earnings	29,278
Other	<u>61,801</u>
Total revenues	<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, 2003
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Change in Net Assets

	Governmental Activities <u>2003</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	5,291,853
Special	981,002
Vocational	124,388
Other	151,209
Support services:	
Pupil	705,193
Instructional staff	676,246
Board of education	61,041
Administration	1,069,860
Fiscal	282,289
Operations and maintenance	1,552,067
Pupil transportation	927,207
Central	18,846
Operations of non-instructional services	61,688
Food service operations	666,640
Extracurricular activities	401,503
Interest and fiscal charges	<u>457,083</u>
Total expenses	<u>13,428,115</u>
Decrease in net assets	<u><u>\$ (487,449)</u></u>

Governmental Activities

Net assets of the District's governmental activities decreased by \$487,449. Total governmental expenses of \$13,428,115 were offset by program revenues of \$1,305,373 and general revenues of \$11,635,293. Program revenues supported 9.72% of the total governmental expenses.

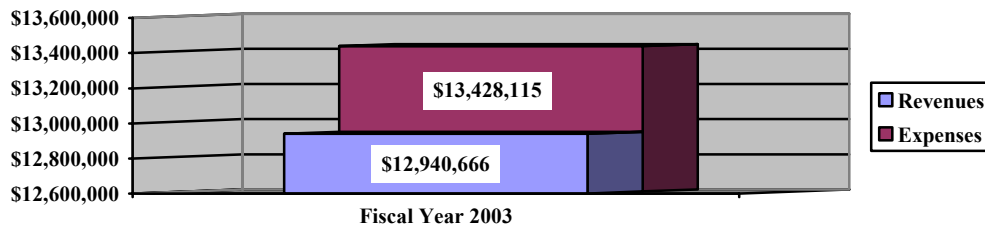
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 89.21% of total governmental revenue. Real estate property is reappraised every six years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 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. Comparisons to 2002 have not been presented since they are not available.

Governmental Activities

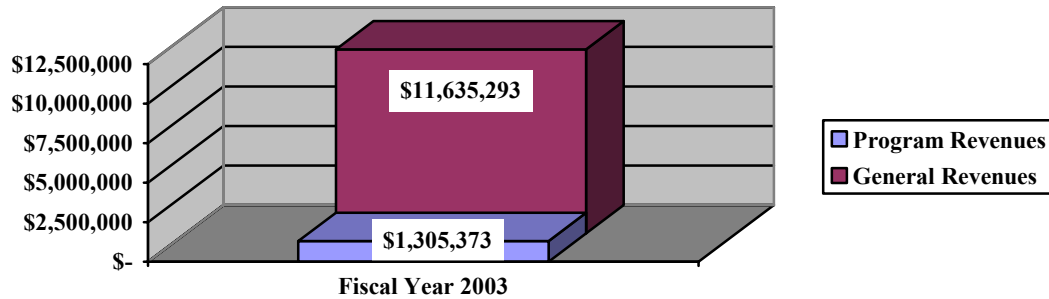
	Total Cost of Services 2003	Net Cost of Services 2003
Program expenses		
Instruction:		
Regular	\$ 5,291,853	\$ 5,098,440
Special	981,002	815,068
Vocational	124,388	121,449
Other	151,209	151,209
Support services:		
Pupil	705,193	604,674
Instructional staff	676,246	578,684
Board of education	61,041	61,041
Administration	1,069,860	1,067,718
Fiscal	282,289	277,578
Operations and maintenance	1,552,067	1,527,991
Pupil transportation	927,207	927,207
Central	18,846	18,846
Operations of non-instructional services	61,688	55,406
Food service operations	666,640	83,115
Extracurricular activities	401,503	277,233
Interest and fiscal charges	457,083	457,083
Total expenses	<u>\$ 13,428,115</u>	<u>\$ 12,122,742</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 94.47% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 90.28%. 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 year 2003.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

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 \$1,099,857, which is lower than last year's total of \$1,906,076. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	Fund Balance <u>June 30, 2003</u>	Fund Balance <u>June 30, 2002</u>	Increase <u>(Decrease)</u>
General	\$ 69,381	\$ 303,057	\$ (233,676)
Debt service	721,862	637,085	84,777
Permanent improvement	188,365	668,859	(480,494)
Other Governmental	<u>120,249</u>	<u>297,075</u>	<u>(176,826)</u>
Total	<u>\$ 1,099,857</u>	<u>\$ 1,906,076</u>	<u>\$ (806,219)</u>

General Fund

The District's general fund's fund balance decreased by \$233,676 (after a restatement to the June 30, 2002 fund balance, which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to rising expenditures with flat revenue growth. 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, 2003
UNAUDITED**

	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,182,788	\$ 3,213,001	(0.94) %
Tuition	22,633	21,852	3.57 %
Earnings on investments	28,353	23,485	20.73 %
Intergovernmental	7,395,972	6,990,482	5.80 %
Other revenues	<u>71,012</u>	<u>75,768</u>	(6.28) %
Total	<u>\$ 10,700,758</u>	<u>\$ 10,324,588</u>	3.64 %
<u>Expenditures</u>			
Instruction	\$ 5,860,376	\$ 5,513,392	6.29 %
Support services	4,816,176	4,247,738	13.38 %
Operation of non-instructional services	40,415	31,186	29.59 %
Extracurricular activities	<u>220,579</u>	<u>185,778</u>	18.73 %
Total	<u>\$ 10,937,546</u>	<u>\$ 9,978,094</u>	9.62 %

Debt Service Fund

The District's debt service fund's fund balance increased by \$84,777. The increase in fund balance can be attributed to modest revenue growth in both taxes and intergovernmental revenue.

Permanent Improvement Fund

The District's permanent improvement fund's fund balance decreased by \$480,494. The decrease in fund balance can be attributed to increased facilities acquisition and construction expenditures with a decrease in investment earnings revenue due to lower interest rates and money to invest.

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 2003, the District amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$11,306,835 and \$10,330,607, respectively. Actual revenues and other financing sources for fiscal 2003 was \$10,986,803. This represents a \$320,032 decrease and a \$656,196 increase over original and final budgeted revenues, respectively.

General fund original appropriations (appropriated expenditures) of \$10,948,770 were increased to \$11,024,035 in the final budget. The actual budget basis expenditures for fiscal year 2003 totaled \$11,022,912, which was a \$74,172 increase and a \$1,123 decrease from the final budget appropriations, respectively.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the District had \$10,012,159 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2003 balances compared to 2002:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2003</u>	<u>2002</u>
Land	\$ 735,639	\$ 233,129
Building and improvements	8,254,794	8,326,744
Furniture and equipment	857,443	866,461
Vehicles	<u>164,283</u>	<u>186,164</u>
Total	<u>\$ 10,012,159</u>	<u>\$ 9,612,498</u>

Total additions to capital assets for 2003 were \$775,741. Depreciation expense for fiscal 2003 was \$376,080. Overall, capital assets of the District increased \$399,661.

Debt Administration

At June 30, 2003, the District had \$8,227,039 in general obligation bonds outstanding. Of this total, \$185,000 is due within one year and \$8,042,039 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End		
	Governmental Activities <u>2003</u>	Governmental Activities <u>2002</u>
General obligation bonds	\$ <u>8,227,039</u>	\$ <u>8,347,879</u>
Total	<u>\$ 8,227,039</u>	<u>\$ 8,347,879</u>

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, 2003, the District's overall legal debt margin was \$6,833,361 with an unvoted debt margin of \$159,317.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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 while struggling to remain financially solvent. The District ranks among the lowest in the State of Ohio in revenue per pupil and expenditures per pupil. Current forecasts indicate the District will be facing a \$1.2 million deficit in fiscal year 2005.

New operating funds have not been approved by local voters since 1992. Following the direction of the Board and administration, the fiscal budget has been carefully managed in order to maximize the education of all students. However, due to the unpredictable and unreliable future of state funding, combined with the District's current budget deficit, the burden of providing the necessary resources has fallen upon the local taxpayers. In November 2003, the District placed a 7.97 mill Emergency Operating Levy on the ballot which failed by 66% of the votes. The District will be back on the ballot in March 2004 asking again for Emergency Operating Funds. As a result of the November 2003 loss, the collection of additional revenue has been delayed by one year; therefore, the Board was forced to increase the millage request to 8.98 mills. In addition, the Board and administration have taken steps to reduce and contain expenditures to the greatest extent possible without jeopardizing the educational system. Without voter approval in March, the Board will be faced with the challenge of eliminating/reducing programs and personnel in order to balance the budget in fiscal year 2005.

The District faces many challenges in the near 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 is committed to working with the community in order to gain its support and to continue operating a sound educational 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 Ms. Lorraine Earnest, Treasurer at 92 Hines Avenue, Bellville, Ohio 44813.

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

STATEMENT OF NET ASSETS
JUNE 30, 2003

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 1,592,342
Receivables:	
Taxes	4,372,461
Accounts	2,182
Intergovernmental	14,254
Materials and supplies inventory	17,357
Capital assets:	
Land	735,639
Depreciable capital assets, net	9,276,520
Capital assets, net.	10,012,159
 Total assets.	 16,010,755
Liabilities:	
Accounts payable.	1,936
Accrued wages and benefits	1,065,555
Pension obligation payable.	275,503
Intergovernmental payable	33,708
Deferred revenue	3,843,412
Accrued interest payable	34,999
Claims payable	277,028
Long-term liabilities:	
Due within one year.	228,905
Due within more than one year	8,472,337
Total liabilities.	14,233,383
Net Assets:	
Invested in capital assets, net of related debt.	1,785,120
Restricted for:	
Capital projects	213,709
Debt service.	679,086
Unrestricted.	(900,543)
Total net assets	\$ 1,777,372

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,291,853	\$ 80,357	\$ 113,056	\$ (5,098,440)
Special	981,002	-	165,934	(815,068)
Vocational	124,388	-	2,939	(121,449)
Other	151,209	-	-	(151,209)
Support services:				
Pupil	705,193	49,700	50,819	(604,674)
Instructional staff	676,246	239	97,323	(578,684)
Board of education	61,041	-	-	(61,041)
Administration	1,069,860	-	2,142	(1,067,718)
Fiscal	282,289	-	4,711	(277,578)
Operations and maintenance	1,552,067	7,617	16,459	(1,527,991)
Pupil transportation	927,207	-	-	(927,207)
Central	18,846	-	-	(18,846)
Operation of non-instructional services:				
Food service operations	666,640	397,038	186,487	(83,115)
Other non-instructional services	61,688	6,282	-	(55,406)
Extracurricular activities	401,503	124,270	-	(277,233)
Interest and fiscal charges	457,083	-	-	(457,083)
Total governmental activities	\$ 13,428,115	\$ 665,503	\$ 639,870	(12,122,742)
General Revenues:				
Property taxes levied for:				
General purposes				3,261,608
Debt service				614,905
Capital projects				179,405
Grants and entitlements not restricted to specific programs				7,488,296
Investment earnings				29,278
Miscellaneous				61,801
Total general revenues				11,635,293
Change in net assets				(487,449)
Net assets at beginning of year				2,264,821
Net assets at end of year				\$ 1,777,372

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 567,583	\$ 671,952	\$ 171,698	\$ 181,109	\$ 1,592,342
Receivables:					
Taxes	3,537,219	643,768	191,474	-	4,372,461
Accounts	-	-	-	2,182	2,182
Intergovernmental	212	-	-	14,042	14,254
Interfund loan receivable	374,101	-	-	-	374,101
Materials and supplies inventory	-	-	-	17,357	17,357
Total assets	<u>\$ 4,479,115</u>	<u>\$ 1,315,720</u>	<u>\$ 363,172</u>	<u>\$ 214,690</u>	<u>\$ 6,372,697</u>
Liabilities:					
Accounts payable	\$ 52	\$ -	\$ -	\$ 1,884	\$ 1,936
Accrued wages and benefits	985,407	-	-	80,148	1,065,555
Compensated absences payable	15,293	-	-	-	15,293
Pension obligation payable	154,490	-	-	9,922	164,412
Intergovernmental payable	31,221	-	-	2,487	33,708
Deferred revenue	<u>3,223,271</u>	<u>593,858</u>	<u>174,807</u>	<u>-</u>	<u>3,991,936</u>
Total liabilities	<u>4,409,734</u>	<u>593,858</u>	<u>174,807</u>	<u>94,441</u>	<u>5,272,840</u>
Fund Balances:					
Reserved for encumbrances	-	-	58,000	-	58,000
Reserved for materials and supplies inventory	-	-	-	17,357	17,357
Reserved for tax revenue unavailable for appropriation	215,680	39,737	11,697	-	267,114
Unreserved, undesignated, reported in:					
General fund	(146,299)	-	-	-	(146,299)
Debt service fund	-	682,125	-	-	682,125
Special revenue funds	-	-	-	84,052	84,052
Capital projects funds	<u>-</u>	<u>-</u>	<u>118,668</u>	<u>18,840</u>	<u>137,508</u>
Total fund balances	<u>69,381</u>	<u>721,862</u>	<u>188,365</u>	<u>120,249</u>	<u>1,099,857</u>
Total liabilities and fund balances	<u>\$ 4,479,115</u>	<u>\$ 1,315,720</u>	<u>\$ 363,172</u>	<u>\$ 214,690</u>	<u>\$ 6,372,697</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003

Total governmental fund balances		\$ 1,099,857
<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.		10,012,159
Other long-term assets (taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.		148,524
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.		(651,129)
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	458,910	
Pension obligation payable	111,091	
General obligation bonds	8,227,039	
Accrued interest payable	34,999	

Total		(8,832,039)
Net assets of governmental activities		\$ 1,777,372

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 3,182,788	\$ 600,912	\$ 175,324	\$ -	\$ 3,959,024
Tuition	22,633	-	-	-	22,633
Charges for services	-	-	-	397,038	397,038
Earnings on investments	28,353	-	20	905	29,278
Extracurricular	-	-	-	164,270	164,270
Other local revenues	71,012	-	55,272	17,999	144,283
Intergovernmental - State	7,395,972	73,317	19,007	96,841	7,585,137
Intergovernmental - Federal	-	-	-	499,217	499,217
Total revenues	<u>10,700,758</u>	<u>674,229</u>	<u>249,623</u>	<u>1,176,270</u>	<u>12,800,880</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,827,757	-	1,014	147,575	4,976,346
Special	768,418	-	-	181,658	950,076
Vocational	113,438	-	-	9,771	123,209
Other	150,763	-	-	266	151,029
Support services:					
Pupil	577,183	-	-	118,802	695,985
Instructional staff	542,776	-	-	116,795	659,571
Board of education	60,871	-	-	-	60,871
Administration	1,054,205	-	-	2,138	1,056,343
Fiscal	258,221	10,942	3,163	4,711	277,037
Operations and maintenance	1,418,267	-	63,536	43,218	1,525,021
Pupil transportation	885,807	-	-	-	885,807
Central	18,846	-	-	-	18,846
Operation of non-instructional services:					
Food service operations	-	-	-	551,661	551,661
Other non-instructional services	40,415	-	8,897	7,957	57,269
Extracurricular activities	220,579	-	-	170,705	391,284
Facilities acquisition and construction	-	-	653,507	543	654,050
Debt service:					
Principal retirement	-	155,000	-	-	155,000
Interest and fiscal charges	-	423,510	-	-	423,510
Total expenditures	<u>10,937,546</u>	<u>589,452</u>	<u>730,117</u>	<u>1,355,800</u>	<u>13,612,915</u>
Excess of revenues over (under) expenditures	<u>(236,788)</u>	<u>84,777</u>	<u>(480,494)</u>	<u>(179,530)</u>	<u>(812,035)</u>
Other financing sources:					
Proceeds from sale of capital assets	3,112	-	-	-	3,112
Total other financing sources	<u>3,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,112</u>
Net change in fund balances	(233,676)	84,777	(480,494)	(179,530)	(808,923)
Fund balances at beginning of year (restated)					
	303,057	637,085	668,859	297,075	1,906,076
Increase in reserve for inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,704</u>	<u>2,704</u>
Fund balances at end of year	<u>\$ 69,381</u>	<u>\$ 721,862</u>	<u>\$ 188,365</u>	<u>\$ 120,249</u>	<u>\$ 1,099,857</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CLEAR FORK VALLEY 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, 2003

Net change in fund balances - total governmental funds	\$	(808,923)
<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 capital outlays exceed depreciation expense in the current period.		399,661
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		2,704
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		76,423
Repayment of bonds are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		155,000
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.		(33,573)
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.		(36,577)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(242,164)
Change in net assets of governmental activities	\$	<u>(487,449)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CLEAR FORK VALLEY 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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues:				
From local sources:				
Taxes	\$3,023,368	\$3,023,368	\$3,215,411	\$ 192,043
Tuition	21,281	21,281	22,633	1,352
Earnings on investments	27,511	27,511	29,258	1,747
Other local revenues	65,920	65,920	70,107	4,187
Intergovernmental - State	7,930,469	6,954,241	7,395,972	441,731
Total revenues	<u>11,068,549</u>	<u>10,092,321</u>	<u>10,733,381</u>	<u>641,060</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,938,865	4,973,369	4,810,457	162,912
Special	817,214	821,977	898,301	(76,324)
Vocational	102,910	103,623	112,770	(9,147)
Other	42,704	43,000	169,455	(126,455)
Support services:				
Pupil	582,905	586,946	568,535	18,411
Instructional staff	556,783	560,643	541,718	18,925
Board of education	66,228	66,687	53,293	13,394
Administration	1,073,040	1,080,479	1,051,649	28,830
Fiscal	271,446	273,328	255,143	18,185
Operations and maintenance	1,387,986	1,397,608	1,408,438	(10,830)
Pupil transportation	823,953	829,665	871,766	(42,101)
Central	41,562	41,850	18,846	23,004
Operation of non-instructional services	44,859	45,170	40,301	4,869
Extracurricular activities	198,315	199,690	222,240	(22,550)
Total expenditures	<u>10,948,770</u>	<u>11,024,035</u>	<u>11,022,912</u>	<u>1,123</u>
Excess of revenues over (under) expenditures	<u>119,779</u>	<u>(931,714)</u>	<u>(289,531)</u>	<u>642,183</u>
Other financing sources:				
Advances in	183,822	183,822	195,498	11,676
Refund of prior year expenditures	51,538	51,538	54,812	3,274
Proceeds from sale of capital assets	2,926	2,926	3,112	186
Total other financing sources	<u>238,286</u>	<u>238,286</u>	<u>253,422</u>	<u>15,136</u>
Net change in fund balance	358,065	(693,428)	(36,109)	657,319
Fund balance at beginning of year (restated)	795,025	795,025	795,025	-
Prior year encumbrances appropriated . . .	182,769	182,769	182,769	-
Fund balance at end of year	<u>\$ 1,335,859</u>	<u>\$ 284,366</u>	<u>\$ 941,685</u>	<u>\$ 657,319</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2003

	Governmental Activities - Internal Service Fund
Liabilities:	
Claims payable	\$ 277,028
Interfund loan payable	<u>374,101</u>
Total liabilities	<u>651,129</u>
Net assets:	
Unrestricted.	<u>(651,129)</u>
Total net assets	<u>\$ (651,129)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 1,456,654
Total operating revenues	<u>1,456,654</u>
 Operating expenses:	
Fringe benefits	183,658
Claims	<u>1,515,160</u>
Total operating expenses	<u>1,698,818</u>
 Change in net assets	(242,164)
 Net assets at beginning of year	 <u>(408,965)</u>
 Net assets at end of year	 <u><u>\$ (651,129)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 1,456,654
Cash payments for fringe benefits.	(183,658)
Cash payments for claims.	<u>(1,272,996)</u>
Net cash provided by operating activities	<u>-</u>
Cash flows from noncapital financing activities:	
Cash used in repayment of interfund loans	<u>(189,277)</u>
Net cash used in noncapital financing activities	<u>(189,277)</u>
Net decrease in cash and cash equivalents	(189,277)
Cash and cash equivalents at beginning of year. . .	<u>189,277</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (242,164)
Changes in assets and liabilities:	
Decrease in due to other governments	(204,381)
Increase in interfund loan payable	374,101
Increase in claims payable	<u>72,444</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 30,630	\$ 72,359
Receivables:		
Accounts	-	397
Total assets	30,630	72,756
Liabilities:		
Accounts payable	-	210
Intergovernmental payable	-	1,557
Due to students	-	70,989
Total liabilities	-	\$ 72,756
Net Assets:		
Held in trust for scholarships	30,630	
Total net assets	\$ 30,630	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 386
Gifts and contributions.	5,000
Total additions.	5,386
Deductions:	
Scholarships awarded	493
Change in net assets	4,893
Net assets at beginning of year.	25,737
Net assets at end of year	\$ 30,630

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 308th largest in the State of Ohio (out of approximately 740 public and community school districts) in terms of enrollment. It is staffed by 83 non-certificated employees and 120 certificated full-time teaching personnel who provide services to 1,848 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'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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based 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:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 Education 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.

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP was established under Section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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:

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.

Permanent Improvement Fund - The permanent improvement fund is used to account for all transactions related to the acquiring, construction, or improving of permanent improvement.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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.

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, 2003, but which were levied to finance fiscal year 2004 operation, 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, 2003**

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 2003 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 2003.
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 funds 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, 2003**

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, 2003. 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 2003, investments were limited to 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 2003. 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, 2003.

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 2003 amounted to \$28,353, which includes \$16,011 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, 2003

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 fixed assets are recorded at their fair market values as of the date received. During fiscal year 2003, the District increased its capitalization threshold from \$500 to \$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	6 - 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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, 2003, 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, 2003, 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.

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 and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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 adopted by the District 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.

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 2003.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002. The reclassification of funds due to GASB Statement No. 34 has also resulted in a restatement of beginning fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) from \$664,882 to \$795,025.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2002	\$ 292,345	\$ 637,085	\$ 668,859	\$ 229,461	\$ 1,827,750
Fund reclassifications	-	-	-	67,614	67,614
Implementation of GASB Interpretation No. 6	<u>10,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,712</u>
Restated fund balance, June 30, 2002	<u>\$ 303,057</u>	<u>\$ 637,085</u>	<u>\$ 668,859</u>	<u>\$ 297,075</u>	<u>\$ 1,906,076</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2002	\$ 1,906,076
GASB 34 adjustments:	
Long-term (deferred) assets	72,101
Capital assets	9,612,498
Accrued interest payable	(35,586)
Pension obligation	(84,777)
Long-term liabilities	(8,796,526)
Internal service fund	<u>(408,965)</u>
Governmental activities net assets, June 30, 2002	<u>\$ 2,264,821</u>

B. Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

<u>Funds</u>	<u>Fund Deficits</u>
<u>Nonmajor Governmental Funds</u>	
Ohio Reads	\$ 50
Title VI-B	15,233
Title I	8,644
Drug-Free Grant	44
Class Size Reduction	166
Internal Service Fund	651,129

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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 result from adjustments for accrued liabilities.

The deficit fund balance 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 two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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, 2003, 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 \$374,101. 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 \$(440,700) and the bank balance was \$80,917. The entire bank balance was covered by federal depository 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.

The District had investments of \$2,135,331 in STAR Ohio at June 30, 2003. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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	\$ 1,695,331	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(2,135,331)	2,135,331
Cash on hand	(700)	-
GASB Statement No. 3	<u>\$ (440,700)</u>	<u>\$ 2,135,331</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2003 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	\$ 374,101

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2003 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.

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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. 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 County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 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, 2003 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, 2003 was \$215,680 in the general fund, \$39,737 in the debt service fund and \$11,697 in the permanent improvement fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2002 was \$247,005 in the general fund, \$49,734 in the debt service fund and \$14,550 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.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 123,247,500	86.01	\$ 138,163,860	86.72
Public utility personal	12,366,490	8.63	12,907,430	8.10
Tangible personal property	<u>7,680,705</u>	<u>5.36</u>	<u>8,245,804</u>	<u>5.18</u>
Total	<u>\$ 143,294,695</u>	<u>100.00</u>	<u>\$ 159,317,094</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 56.60		\$ 56.60	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), 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	\$ 4,372,461
Accounts	2,182
Intergovernmental	<u>14,254</u>
Total	<u>\$ 4,388,897</u>

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

NOTE 8 - CAPITAL ASSETS

A. The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy. See Note 2.H. for detail:

	Balance <u>June 30,2002</u>	<u>Adjustments</u>	Restated Balance <u>June 30,2002</u>
Governmental Activities			
<i>Capital assets, not being depreciated:</i>			
Land	\$ <u>252,260</u>	\$ <u>(19,131)</u>	\$ <u>233,129</u>
Total capital assets, not being depreciated	<u>252,260</u>	<u>(19,131)</u>	<u>233,129</u>
<i>Capital assets, being depreciated:</i>			
Buildings and improvements	12,524,393	(481,007)	12,043,386
Furniture and equipment	1,846,871	(156,616)	1,690,255
Vehicles	<u>1,822,914</u>	<u>(534,378)</u>	<u>1,288,536</u>
Total capital assets, being depreciated	<u>16,194,178</u>	<u>(1,172,001)</u>	<u>15,022,177</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(5,642,808)</u>	<u>(5,642,808)</u>
Governmental activities capital assets, net	<u>\$ 16,446,438</u>	<u>\$ (6,833,940)</u>	<u>\$ 9,612,498</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 8 - CAPITAL ASSETS

B. Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance <u>June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2003</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 233,129	\$ 502,510	\$ -	\$ 735,639
Total capital assets, not being depreciated	<u>233,129</u>	<u>502,510</u>	<u>-</u>	<u>735,639</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	12,043,386	138,208	-	12,181,594
Furniture and equipment	1,690,255	135,023	-	1,825,278
Vehicles	<u>1,288,536</u>	<u>-</u>	<u>-</u>	<u>1,288,536</u>
Total capital assets, being depreciated	<u>15,022,177</u>	<u>273,231</u>	<u>-</u>	<u>15,295,408</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(3,716,642)	(210,158)	-	(3,926,800)
Furniture and equipment	(823,794)	(144,041)	-	(967,835)
Vehicles	<u>(1,102,372)</u>	<u>(21,881)</u>	<u>-</u>	<u>(1,124,253)</u>
Total accumulated depreciation	<u>(5,642,808)</u>	<u>(376,080)</u>	<u>-</u>	<u>(6,018,888)</u>
Governmental activities capital assets, net	<u>\$ 9,612,498</u>	<u>\$ 399,661</u>	<u>\$ -</u>	<u>\$ 10,012,159</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 261,430
Special	5,261
Vocational	6,679

Support Services:

Pupil	3,101
Instructional staff	15,672
Administration	6,467
Operations and maintenance	25,080
Pupil transportation	14,304
Extracurricular activities	13,714
Food service operations	<u>24,372</u>

Total depreciation expense \$ 376,080

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - LONG-TERM OBLIGATIONS

- A. The balance of the District's governmental activities long-term obligations at June 30, 2002 has been restated. The compensated absences liability increased from \$430,934 to \$482,163 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, pension obligations of \$84,744 at June 30, 2002 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2002 was a decrease of \$33,515 from \$8,863,557 to \$8,830,042. During the fiscal year 2003, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2002</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2003</u>	Amounts Due in <u>One Year</u>
General obligation bonds	\$ 8,347,879	\$ 34,160	\$ (155,000)	\$ 8,227,039	\$ 185,000
Compensated absences	<u>482,163</u>	<u>58,778</u>	<u>(66,738)</u>	<u>474,203</u>	<u>43,905</u>
Total governmental activities	<u>\$ 8,830,042</u>	<u>\$ 92,938</u>	<u>\$ (221,738)</u>	<u>\$ 8,701,242</u>	<u>\$ 228,905</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.

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, 2003 was \$153,510. A total of \$153,529 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2003.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2003</u>
Current interest bonds -				
1997 Series A	\$ 885,000	\$ -	\$ (20,000)	\$ 865,000
Current interest bonds -				
school improvement	7,190,000	-	(135,000)	7,055,000
Capital appreciation bonds -				
school improvement	<u>272,879</u>	<u>34,160</u>	<u>-</u>	<u>307,039</u>
Total	<u>\$ 8,347,879</u>	<u>\$ 34,160</u>	<u>\$ (155,000)</u>	<u>\$ 8,227,039</u>

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

Fiscal Year Ending	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 185,000	\$ 415,729	\$ 600,729	\$ -	\$ -	\$ -
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 - 2013	1,750,000	1,624,919	3,374,919	-	-	-
2014 - 2018	2,645,000	1,047,566	3,692,566	-	-	-
2019 - 2023	2,280,000	251,408	2,531,408	1,585,000	-	1,585,000
2024 - 2025	<u>130,000</u>	<u>8,191</u>	<u>138,191</u>	<u>1,645,000</u>	<u>-</u>	<u>1,645,000</u>
Total	<u>\$ 7,920,000</u>	<u>\$ 4,910,126</u>	<u>\$ 12,830,126</u>	<u>\$ 3,230,000</u>	<u>\$ -</u>	<u>\$ 3,230,000</u>

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, 2003 are a voted debt margin of \$6,833,361 (including available funds of \$721,862) and an unvoted debt margin of \$159,317.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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:	Harcum-Hyre		
Each occurrence		\$ 2,000,000	\$ 0
Aggregate		5,000,000	\$ 0
Property/building and contents	Nationwide	34,500,000	\$1,000
Fleet:			
Comprehensive	Nationwide	2,000,000	\$ 50
Collision		2,000,000	\$ 50
Umbrella liability	Harcum-Hyre	2,000,000	\$ 0

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2002.

B. Workers' Compensation

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - RISK MANAGEMENT - (Continued)

This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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 \$277,028 reported in the internal service fund at June 30, 2003 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>
2003	\$ 204,584	\$ 1,515,160	\$ (1,442,716)	\$ 277,028
2002	194,201	1,482,614	(1,472,231)	204,584

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.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2003, 8.17% was the portion 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, 2003, 2002, and 2001 were \$258,191, \$235,973, and \$226,814, respectively; 50.58% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$127,608, represents the unpaid contribution for fiscal year 2003.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% 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 STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$711,756, \$685,139, \$633,467, respectively; 82.88% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$121,876, represents the unpaid contribution for fiscal year 2003.

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, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.20 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 \$50,840 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 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.

For this fiscal year, employer contributions to fund health care benefits were 5.83% 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 2003, the minimum pay has been established at \$14,500. 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 were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, 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 \$124,299 during the 2003 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (b) Expenditures 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).

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	\$ (36,109)
Net adjustment for revenue accruals	(32,623)
Net adjustment for expenditure accruals	85,366
Net adjustment for other sources/uses	<u>(250,310)</u>
GAAP basis	<u>\$ (233,676)</u>

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 deposition 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, 2003**

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, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2002	\$ (63,546)	\$ (236,458)
Current year set-aside requirement	242,018	242,018
Current year offsets	-	(197,250)
Qualifying disbursements	<u>(322,005)</u>	<u>(250,750)</u>
Total	<u>\$ (143,533)</u>	<u>\$ (442,440)</u>
Cash balance carried forward to FY 2004	<u>\$ (143,533)</u>	<u>\$ (236,458)</u>

The District had qualifying disbursements during the year that reduced the textbooks set-aside amounts below zero. This excess amount may be used to reduce the set-aside requirements of future years.

The District has a permanent improvement levy which provides tax revenue for capital improvements of the District. The amount of tax revenue related to the permanent improvement levy is a qualifying offset to the Capital Acquisition set-aside and the District had qualifying disbursements. However, the negative cash balance amount may not be carried forward to offset future year set-aside requirements.

SUPPLEMENTAL DATA

CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (B) Food Distribution	10.550	N/A	\$ -	\$ 63,363	\$ -	\$ 63,363
(A) (C) National School Lunch	10.555	049411-LL-P4-2002	16,446		16,446	
(A) (C) National School Lunch	10.555	049411-LL-P4-2003	87,164		87,164	
(A) (C) National School Milk Program	10.556	049411-02-PU-2002	244		244	
(A) (C) National School Milk Program	10.556	049411-02-PU-2003	1,466		1,466	
Total U.S. Department of Agriculture and Nutrition Cluster			105,320	63,363	105,320	63,363
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	049411-C1-S1-2002	-		1,878	
Title I - Grants to Local Educational Agencies	84.010	049411-C1-S1-2003	147,940		126,171	
Total Title I			147,940		128,049	
Title VI-B - Special Education: Grants to States	84.027	049411-6B-SF-2002-P	13,031		26,812	
Title VI-B - Special Education: Grants to States	84.027	049411-6B-SF-2003-P	131,680		131,680	
Total Title VI-B			144,711		158,492	
Safe and Drug-Free Schools Grants	84.186	049411-DR-S1-2002	-		83	
Safe and Drug-Free Schools Grants	84.186	049411-DR-S1-2003	7,563		7,563	
Total Safe and Drug-Free Schools Grants			7,563		7,646	
Goals 2000	84.276	049411-G2-S9-2001	-		5,184	
Eisenhower Professional Development Grant	84.281	049411-MS-S1-2002	727		2,345	
Title VI - Innovative Educational Program Strategies	84.298	049411-C2-S1-2002	6,627		8,813	
Title VI - Innovative Educational Program Strategies	84.298	049411-C2-S1-2003	9,813		9,813	
Total Title VI - Innovative Educational Program Strategies			16,440		18,626	
Technology Literacy Challenge	84.318	049411-TJ-S1-2003	4,051		4,051	
Advance Placement Program	84.330	049411-AV-S1-2003	50		-	
Title VI-R - Class Size Reduction	84.340	049411-CR-S1 2002	-		5,526	
School Renovation, IDEA and Technology	84.352A	N/A	11,773		765	
School Renovation, IDEA and Technology	84.352A	049411-TR-S1-2003	11,547		11,246	
Total School Renovation, IDEA and Technology			23,320		12,011	
Improving Teacher Quality	84.367	049411-TR-S1-2003	64,409		64,409	
Total U.S. Department of Education			409,211		406,339	
Total Federal Financial Assistance			\$ 514,531	\$ 63,363	\$ 511,659	\$ 63,363

- (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 Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic 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 remaining aggregate fund information of the Clear Fork Valley Local School District, Richland County, (the “District”), as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated January 28, 2004. During the fiscal year ended June 30, 2003, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, the District had a change in accounting principle for its threshold for fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Board of Education
Clear Fork Valley Local School District

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 of the governmental activities, each major fund, and the aggregate remaining fund information of the District and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic 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 do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 28, 2004.

This report is intended for the information and use of management and the Board of the Clear Fork Valley Local School District, 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.
January 28, 2004

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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, 2003. The District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, the District had a change in accounting principle for its threshold for fixed assets. 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, 2003.

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 its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

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

This report is intended for the information and use of the management, the Board of the Clear Fork Valley Local School District, 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.
January 28, 2004

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT
 RICHLAND COUNTY, OHIO
 JUNE 30, 2003**

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

1. SUMMARY OF AUDITOR'S RESULTS
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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>	Title VI-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
JUNE 30, 2003**

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

**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
MARCH 4, 2004**