

CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT

RICHLAND COUNTY

Audit Report

For the Year Ended June 30, 2010

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

January 11, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST
Auditor of State

This Page is Intentionally Left Blank.



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Clear Fork Valley Local School District, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 27, 2010

This Page is Intentionally Left Blank.

CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT
 RICHLAND COUNTY
 AUDIT REPORT
 For the Year Ending June 30, 2010

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Asset of Governmental Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	19
Statement of Net Assets - Proprietary Fund.....	20
Statement of Revenues, Expenses, and Changes in Net Assets -Proprietary Fund.....	21
Statement of Cash Flows - Proprietary Fund.....	22
Statement of Fiduciary Net Assets - Fiduciary Funds.....	23
Statement of Change in Fiduciary Net Assets - Fiduciary Funds.....	24
Notes to the Basic Financial Statements.....	25
Schedule of Federal Awards Expenditures.....	53
Notes to the Schedule of Federal Awards Expenditures.....	54
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	57
Schedule of Findings.....	59
Schedule of Prior Audit Findings.....	61

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Clear Fork Valley Local School District
Richland County
92 Hines Road
Bellville, Ohio 44813

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clear Fork Valley Local School District, Richland County, Ohio, (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clear Fork Valley Local School District, Richland County, Ohio, as of June 30, 2010, and the respective changes in financial position and cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clear Fork Valley Local School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the 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 as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.

November 23, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

The management's 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, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets of governmental activities increased \$81,337 which represents a 0.85% increase from 2009.
- General revenues accounted for \$13,167,660 in revenue or 79.87% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$3,319,094 or 20.13% of total revenues of \$16,486,754.
- The District had \$16,405,417 in expenses related to governmental activities; only \$3,319,094 of these expenses was offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,167,660 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$13,103,688 in revenues and other financing sources and \$12,926,258 in expenditures and other financing uses. The general fund had a decrease in the reserve for inventory for 2010 of \$6,873. During fiscal 2010, the general fund's fund balance increased \$170,557 from \$5,714,652 to \$5,885,209.

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 is by far the most significant fund, and the only governmental fund reported as a major fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

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

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, 2010
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-52 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets at June 30, 2010 and June 30, 2009.

	Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
<u>Assets</u>		
Current and other assets	\$ 13,491,382	\$ 13,194,602
Capital assets, net	9,152,965	9,281,876
Total assets	22,644,347	22,476,478
<u>Liabilities</u>		
Current liabilities	5,445,168	5,153,012
Long-term liabilities	7,550,343	7,755,967
Total liabilities	12,995,511	12,908,979
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,019,455	2,794,567
Restricted	931,959	961,555
Unrestricted	5,697,422	5,811,377
Total net assets	\$ 9,648,836	\$ 9,567,499

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$9,648,836.

At year-end, capital assets represented 40.42% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$3,019,455. 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.

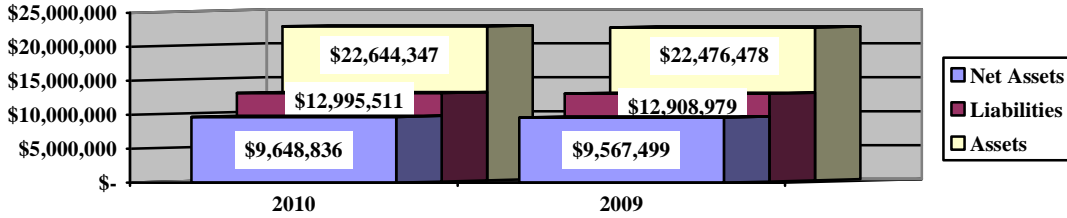
A portion of the District's net assets, \$931,959, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$5,697,422 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The table below illustrates the District's assets, liabilities and net assets at June 30, 2010 and 2009:

Governmental Activities



The table below shows the change in net assets for fiscal year 2010 and 2009.

Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,385,238	\$ 1,307,572
Operating grants and contributions	1,933,856	1,799,375
Capital grants and contributions	-	15,345
General revenues:		
Property taxes	4,299,661	4,463,589
Grants and entitlements	8,597,908	8,459,423
Investment earnings	251,304	253,478
Other	18,787	33,104
Total revenues	16,486,754	16,331,886

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Change in Net Assets

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 6,629,299	\$ 6,246,120
Special	1,722,629	1,458,379
Vocational	158,961	156,433
Other	589,788	652,227
Support services:		
Pupil	602,031	586,692
Instructional staff	746,470	692,352
Board of education	49,082	35,171
Administration	937,644	905,437
Fiscal	325,455	309,242
Operations and maintenance	1,777,221	1,577,414
Pupil transportation	1,140,928	1,160,156
Central	20,737	85,765
Operation of non-instructional services:		
Food service operations	766,267	755,439
Other non-instructional services	31,059	24,436
Extracurricular activities	497,356	503,263
Interest and fiscal charges	<u>410,490</u>	<u>408,830</u>
Total expenses	<u>16,405,417</u>	<u>15,557,356</u>
Change in net assets	81,337	774,530
Net assets at beginning of year	<u>9,567,499</u>	<u>8,792,969</u>
Net assets at end of year	<u>\$ 9,648,836</u>	<u>\$ 9,567,499</u>

Governmental Activities

Net assets of the District's governmental activities increased \$81,337. Total governmental expenses of \$16,405,417 were offset by program revenues of \$3,319,094 and general revenues of \$13,167,660. Program revenues supported 20.23% of the total governmental expenses.

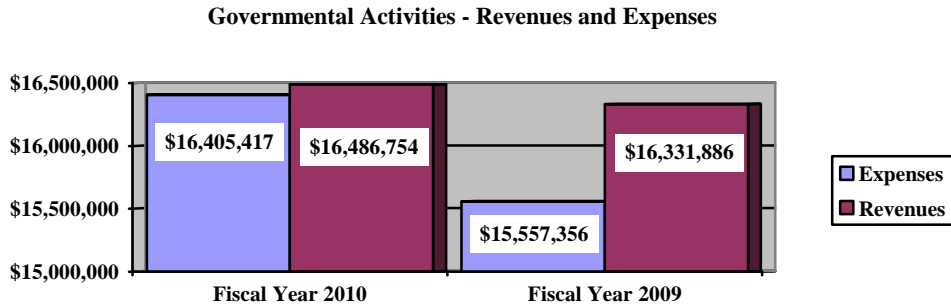
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 78.23% of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,100,677 or 55.47% of total governmental expenses for fiscal year 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2010 and 2009.



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

Governmental Activities

	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Program expenses				
Instruction:				
Regular	\$ 6,629,299	\$ 5,706,306	\$ 6,246,120	\$ 5,537,982
Special	1,722,629	1,236,521	1,458,379	470,339
Vocational	158,961	98,570	156,433	96,065
Other	589,788	572,779	652,227	648,752
Support services:				
Pupil	602,031	397,658	586,692	467,401
Instructional staff	746,470	569,818	692,352	482,953
Board of education	49,082	48,302	35,171	33,660
Administration	937,644	932,644	905,437	900,159
Fiscal	325,455	325,455	309,242	309,242
Operations and maintenance	1,777,221	1,260,345	1,577,414	1,559,568
Pupil transportation	1,140,928	1,122,880	1,160,156	1,084,112
Central	20,737	11,592	85,765	73,765
Operation of non-instructional services:				
Food service operations	766,267	3,316	755,439	(8,480)
Other non-instructional services	31,059	31,059	24,436	24,436
Extracurricular activities	497,356	358,588	503,263	346,280
Interest and fiscal charges	410,490	410,490	408,830	408,830
Total expenses	<u>\$ 16,405,417</u>	<u>\$ 13,086,323</u>	<u>\$ 15,557,356</u>	<u>\$ 12,435,064</u>

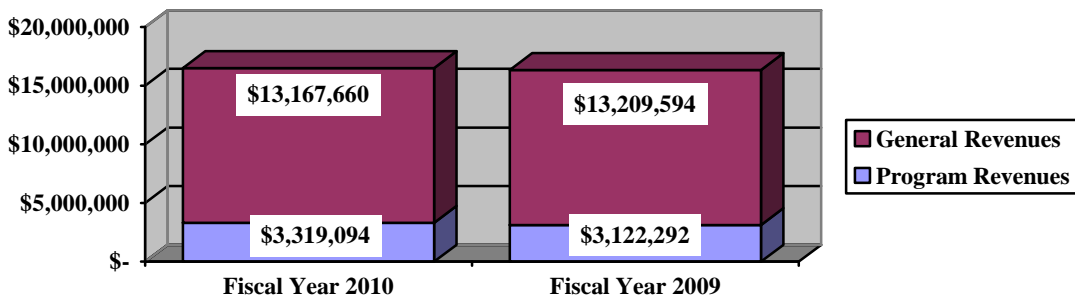
**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 83.67% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.77%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2010 and 2009.

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 \$6,695,091, which is higher than last year's total of \$6,677,573. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase (Decrease)
General	\$ 5,885,209	\$ 5,714,652	\$ 170,557
Other Governmental	<u>809,882</u>	<u>962,921</u>	<u>(153,039)</u>
Total	<u>\$ 6,695,091</u>	<u>\$ 6,677,573</u>	<u>\$ 17,518</u>

General Fund

The District's general fund's fund balance increased by \$170,557. The increase in fund balance can be attributed to the District being able to sustain expenditures while maintaining higher revenues. Although the overall revenues decreased \$750,000, the District was able increase their tuition revenues by over \$100,000.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Property taxes	\$ 3,427,606	\$ 3,739,299	(8.34) %
Tuition	756,209	637,269	18.66 %
Earnings on investments	222,960	221,312	0.74 %
Intergovernmental	8,601,586	9,170,452	(6.20) %
Other revenues	<u>94,507</u>	<u>96,543</u>	(2.11) %
Total	<u>\$ 13,102,868</u>	<u>\$ 13,864,875</u>	(5.50) %
<u>Expenditures</u>			
Instruction	8,061,344	7,847,181	2.73 %
Support services	4,465,873	4,653,118	(4.02) %
Operation of non-instructional services	30,554	24,209	26.21 %
Extracurricular activities	<u>343,487</u>	<u>332,925</u>	3.17 %
Total	<u>\$ 12,901,258</u>	<u>\$ 12,857,433</u>	0.34 %

Tax revenues decreased 8.34%. This decrease can be attributed to a decrease in advances available to the District at fiscal year end. Tuition revenue increased 18.66% mainly due to an increase in open enrollment. The District's State foundation revenues were reduced by \$623,295, resulting in a decrease in intergovernmental revenue in the General Fund. However, the District received State Fiscal Stabilization Funds (SFSF) as part of the American Recovery and Reinvestment Act (ARRA) in the non-major governmental funds that resulted in an overall increase in intergovernmental revenue in the fund financial statements of \$350,789. Although operation of non-instructional service expenditures increased 26.21%, the dollar amount of the increase is immaterial to the entire expenditures. All other revenue and expenditure line items shown are deemed immaterial amounts relative to total expenditures or were consistent with 2009 and they do not warrant further analysis.

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, the District amended its general fund budget several times. For the general fund, original revenues and other financing sources were \$13,038,060. The final budgeted revenues and other financing sources were increased to \$13,320,096. Actual revenues and other financing sources for fiscal year 2010 was \$13,456,941. This represents a \$136,845 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures and other financing uses) were \$13,421,313 while the final appropriations were \$13,421,309. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$12,902,477, which was \$518,832 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$9,152,965 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. The entire amount is reported in governmental activities. The following table shows June 30, 2010 balances compared to June 30, 2009:

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

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 735,639	\$ 735,639
Land improvements	87,310	-
Construction in progress	292,937	327,004
Building and improvements	6,733,652	7,001,292
Furniture and equipment	594,205	619,804
Vehicles	<u>709,222</u>	<u>598,137</u>
Total	<u>\$ 9,152,965</u>	<u>\$ 9,281,876</u>

Total additions to capital assets for 2010 were \$402,168. Disposals to capital assets for 2010 were \$23,102 (net of accumulated depreciation). Depreciation expense for fiscal year 2010 was \$507,977. Overall, capital assets of the District decreased \$128,911.

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

Debt Administration

At June 30, 2010, the District had \$6,785,501 in general obligation bonds outstanding. Of this total, \$381,980 is due within one year and \$6,403,521 is due in greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
General obligation bonds	<u>\$ 6,785,501</u>	<u>\$ 6,992,530</u>
Total	<u>\$ 6,785,501</u>	<u>\$ 6,992,530</u>

At June 30, 2010, the District's overall legal debt margin was \$11,590,002 with an unvoted debt margin of \$191,168.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Current Financial Related Activities

The financial outlook for many schools in Ohio is uncertain due to the economic downturn being experienced in Ohio. Each budget cut proposed/requested by the Governor brings another round of budget cuts in school districts. Clear Fork Valley is very careful in all of its expenditures and scrutinized each request that is submitted. Employee positions that become vacant are not filled immediately with permanent personnel until the need for the position is evaluated. It is a balancing act to reduce expenses where possible and not impact student achievement; one which the Board of Education and Administration take very seriously.

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 7,329,884
Cash with fiscal agent	1,064,455
Cash in segregated accounts	1,112
Receivables:	
Taxes	4,661,528
Accounts.	16,749
Intergovernmental	54,782
Accrued interest	3,845
Prepayments	216,512
Materials and supplies inventory.	52,371
Unamortized bond issue costs	90,144
Capital assets:	
Land and construction in progress.	822,949
Depreciable capital assets, net.	8,330,016
Capital assets, net	9,152,965
Total assets.	22,644,347
Liabilities:	
Accounts payable.	2,987
Contracts payable.	36,757
Accrued wages and benefits	1,144,609
Pension obligation payable.	348,309
Intergovernmental payable	68,275
Unearned revenue	3,557,385
Accrued interest payable	42,694
Claims payable.	244,152
Long-term liabilities:	
Due within one year.	451,907
Due within more than one year	7,098,436
Total liabilities	12,995,511
Net Assets:	
Invested in capital assets, net of related debt.	3,019,455
Restricted for:	
Capital projects	191,862
Debt service.	531,311
State funded programs.	16,038
Federally funded programs	15,966
Public school support	19,321
Student activities	33,708
Other purposes	123,753
Unrestricted	5,697,422
Total net assets	\$ 9,648,836

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, 2010

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 6,629,299	\$ 747,709	\$ 175,284	\$ (5,706,306)
Special	1,722,629	64,868	421,240	(1,236,521)
Vocational	158,961	-	60,391	(98,570)
Other	589,788	-	17,009	(572,779)
Support services:				
Pupil.	602,031	18,747	185,626	(397,658)
Instructional staff	746,470	-	176,652	(569,818)
Board of education	49,082	-	780	(48,302)
Administration.	937,644	-	5,000	(932,644)
Fiscal.	325,455	-	-	(325,455)
Operations and maintenance	1,777,221	10,327	506,549	(1,260,345)
Pupil transportation.	1,140,928	15,650	2,398	(1,122,880)
Central	20,737	-	9,145	(11,592)
Operation of non-instructional services:				
Food service operations	766,267	392,828	370,123	(3,316)
Other non-instructional services	31,059	-	-	(31,059)
Extracurricular activities.	497,356	135,109	3,659	(358,588)
Interest and fiscal charges	410,490	-	-	(410,490)
Total governmental activities	16,405,417	1,385,238	1,933,856	(13,086,323)
General Revenues:				
Property taxes levied for:				
General purposes				3,512,772
Debt service.				536,017
Capital projects				250,872
Grants and entitlements not restricted to specific programs				8,597,908
Investment earnings				251,304
Miscellaneous				18,787
Total general revenues				13,167,660
Change in net assets				81,337
Net assets at beginning of year.				9,567,499
Net assets at end of year				\$ 9,648,836

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 6,491,136	\$ 838,748	\$ 7,329,884
Cash in segregated accounts	1,112	-	1,112
Receivables:			
Taxes.	3,799,904	861,624	4,661,528
Accounts.	16,591	158	16,749
Accrued interest	3,845	-	3,845
Intergovernmental	10,696	44,086	54,782
Prepayments.	215,006	1,506	216,512
Materials and supplies inventory.	17,620	34,751	52,371
Total assets	<u>\$ 10,555,910</u>	<u>\$ 1,780,873</u>	<u>\$ 12,336,783</u>
Liabilities:			
Accounts payable	\$ 2,987	\$ -	\$ 2,987
Contracts payable.	-	36,757	36,757
Compensated absences payable	28,742	-	28,742
Accrued wages and benefits.	1,040,429	104,180	1,144,609
Pension obligation payable	313,483	34,826	348,309
Intergovernmental payable	62,159	6,116	68,275
Deferred revenue	373,853	80,775	454,628
Unearned revenue.	2,849,048	708,337	3,557,385
Total liabilities.	<u>4,670,701</u>	<u>970,991</u>	<u>5,641,692</u>
Fund Balances:			
Reserved for encumbrances	12,303	17,213	29,516
Reserved for materials and supplies inventory.	17,620	34,751	52,371
Reserved for prepayments.	215,006	1,506	216,512
Reserved for debt service	-	428,409	428,409
Reserved for tax revenue unavailable for appropriation	586,577	132,411	718,988
Unreserved, undesignated, reported in:			
General fund.	5,053,703	-	5,053,703
Special revenue funds	-	88,533	88,533
Capital projects funds	-	107,059	107,059
Total fund balances	<u>5,885,209</u>	<u>809,882</u>	<u>6,695,091</u>
Total liabilities and fund balances	<u>\$ 10,555,910</u>	<u>\$ 1,780,873</u>	<u>\$ 12,336,783</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, 2010

Total governmental fund balances		\$	6,695,091
<i>Amounts reported for governmental activities on 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.			9,152,965
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	445,054	
Intergovernmental receivable		9,499	
Accrued interest receivable		75	
Total			454,628
Unamortized deferred charges are not recognized in the funds.			331,879
Unamortized premiums on bond issuances are not recognized in the funds.			(422,023)
Unamortized bond issuance costs are not recognized in the funds.			90,144
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.			820,303
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(42,694)
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 payable		(645,956)	
General obligation bonds payable		(6,785,501)	
Total			(7,431,457)
Net assets of governmental activities		\$	9,648,836

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, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 3,427,606	\$ 756,396	\$ 4,184,002
Tuition	756,209	-	756,209
Transportation fees	15,650	-	15,650
Charges for services	-	392,828	392,828
Earnings on investments	222,960	337	223,297
Extracurricular	446	153,410	153,856
Classroom materials and fees	56,368	-	56,368
Rental income	10,327	-	10,327
Contributions and donations	1,418	15,893	17,311
Other local revenues	10,298	7,071	17,369
Intergovernmental - state	8,601,586	155,905	8,757,491
Intergovernmental - federal	-	1,789,065	1,789,065
Total revenues	<u>13,102,868</u>	<u>3,270,905</u>	<u>16,373,773</u>
Expenditures:			
Current:			
Instruction:			
Regular	6,176,331	190,216	6,366,547
Special	1,155,700	546,763	1,702,463
Vocational	156,534	3,628	160,162
Other	572,779	17,009	589,788
Support services:			
Pupil	384,466	212,284	596,750
Instructional staff	540,467	176,881	717,348
Board of education	48,302	780	49,082
Administration	877,649	25,702	903,351
Fiscal	305,359	16,690	322,049
Operations and maintenance	1,047,509	714,768	1,762,277
Pupil transportation	1,250,434	2,398	1,252,832
Central	11,687	9,145	20,832
Operation of non-instructional services:			
Food service operations	-	743,955	743,955
Operation of non-instructional	30,554	-	30,554
Extracurricular activities	343,487	142,976	486,463
Facilities acquisition and construction	-	50,553	50,553
Debt service:			
Principal retirement	-	345,000	345,000
Interest and fiscal charges	-	275,350	275,350
Total expenditures	<u>12,901,258</u>	<u>3,474,098</u>	<u>16,375,356</u>
Excess/deficiency of revenues over/under expenditures	<u>201,610</u>	<u>(203,193)</u>	<u>(1,583)</u>
Other financing sources (uses):			
Sale of capital assets	820	-	820
Transfers in	-	25,000	25,000
Transfers (out)	(25,000)	-	(25,000)
Total other financing sources (uses)	<u>(24,180)</u>	<u>25,000</u>	<u>820</u>
Net change in fund balances	177,430	(178,193)	(763)
Fund balances at beginning of year	5,714,652	962,921	6,677,573
Increase (decrease) in reserve for inventory	(6,873)	25,154	18,281
Fund balances at end of year	<u>\$ 5,885,209</u>	<u>\$ 809,882</u>	<u>\$ 6,695,091</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, 2010**

Net change in fund balances - total governmental funds \$ (763)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$	402,168	
Current year depreciation		(507,977)	
Total			(105,809)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (23,102)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. 18,281

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes		115,659	
Intergovernmental revenue		(21,186)	
Earnings on investments		(8)	
Total			94,465

Repayment of general obligation bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 345,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being reported on the statement of activities:

Decrease in accrued interest payable		2,830	
Accreted interest on "capital appreciation" bonds		(137,971)	
Amortization of bond issue costs		(8,654)	
Amortization of bond premiums		40,515	
Amortization of deferred charges on refundings		(31,860)	
Total			(135,140)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 18,682

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities. (130,277)

Change in net assets of governmental activities \$ 81,337

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,657,362	\$ 3,657,362	\$ 3,708,312	\$ 50,950
Tuition	636,500	762,103	756,209	(5,894)
Transportation fees	-	-	15,650	15,650
Earnings on investments	200,000	200,000	218,078	18,078
Extracurricular	450	450	446	(4)
Classroom materials and fees	55,500	55,500	56,368	868
Rental income	8,000	8,000	10,459	2,459
Contributions and donations	500	500	1,418	918
Other local revenues	22,300	22,300	18,187	(4,113)
Intergovernmental - state	8,426,448	8,552,881	8,604,073	51,192
Total revenues	<u>13,007,060</u>	<u>13,259,096</u>	<u>13,389,200</u>	<u>130,104</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,215,418	6,215,414	6,122,393	93,021
Special	1,239,602	1,239,602	1,166,712	72,890
Vocational	158,070	158,070	155,298	2,772
Other	581,839	581,839	574,453	7,386
Support services:				
Pupil	414,035	414,035	388,248	25,787
Instructional staff	521,910	521,910	505,429	16,481
Board of education	73,828	73,828	52,182	21,646
Administration	902,744	902,744	874,350	28,394
Fiscal	316,710	316,710	303,914	12,796
Operations and maintenance	1,131,210	1,131,210	1,036,401	94,809
Pupil transportation	1,362,872	1,362,872	1,240,951	121,921
Central	14,470	14,470	12,505	1,965
Operation of non-instructional services	30,264	30,264	29,579	685
Extracurricular activities	354,420	354,420	336,141	18,279
Total expenditures	<u>13,317,392</u>	<u>13,317,388</u>	<u>12,798,556</u>	<u>518,832</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(310,332)</u>	<u>(58,292)</u>	<u>590,644</u>	<u>648,936</u>
Other financing sources (uses):				
Refund of prior year's expenditures	30,000	30,000	36,921	6,921
Refund of prior year's receipts	(48,921)	(48,921)	(48,921)	-
Transfers (out)	(25,000)	(25,000)	(25,000)	-
Advances in	-	30,000	30,000	-
Advances (out)	(30,000)	(30,000)	(30,000)	-
Sale of capital assets	1,000	1,000	820	(180)
Total other financing sources (uses)	<u>(72,921)</u>	<u>(42,921)</u>	<u>(36,180)</u>	<u>6,741</u>
Net change in fund balance	(383,253)	(101,213)	554,464	655,677
Fund balance at beginning of year	5,919,067	5,919,067	5,919,067	-
Prior year encumbrances appropriated	13,514	13,514	13,514	-
Fund balance at end of year	<u>\$ 5,549,328</u>	<u>\$ 5,831,368</u>	<u>\$ 6,487,045</u>	<u>\$ 655,677</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, 2010

	Governmental Activities - Internal Service Funds
Assets:	
Cash with fiscal agent	\$ 1,064,455
Total assets.	<u>1,064,455</u>
Liabilities:	
Claims payable	<u>244,152</u>
Total liabilities	<u>244,152</u>
Net assets:	
Unrestricted.	<u>820,303</u>
Total net assets	<u>\$ 820,303</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, 2010

	Governmental Activities - Internal Service Funds
Operating revenues:	
Sales/charges for services	\$ 2,359,553
Total operating revenues	<u>2,359,553</u>
Operating expenses:	
Fringe benefits	22,726
Other	1,293
Claims	<u>2,493,826</u>
Total operating expenses	<u>2,517,845</u>
Operating loss	<u>(158,292)</u>
Nonoperating revenues:	
Interest revenue	<u>28,015</u>
Total nonoperating revenues	<u>28,015</u>
Change in net assets	(130,277)
Net assets at beginning of year	<u>950,580</u>
Net assets at end of year	<u><u>\$ 820,303</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, 2010

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Cash received from charges for services	\$ 2,359,553
Cash payments for fringe benefits	(22,726)
Cash payments for claims	(2,501,974)
Cash payments for other expenses	(1,293)
	(166,440)
Net cash used in operating activities	(166,440)
Cash flows from investing activities:	
Interest received	28,015
	28,015
Net cash provided by investing activities	28,015
Net decrease in cash and cash cash equivalents	(138,425)
Cash and cash equivalents at beginning of year . . .	1,202,880
Cash and cash equivalents at end of year	\$ 1,064,455
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (158,292)
Changes in assets and liabilities:	
Decrease in claims payable	(8,148)
	(8,148)
Net cash used in operating activities	\$ (166,440)

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, 2010

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 25,029	\$ 156,361
Prepayments	-	155
	<hr/>	<hr/>
Total assets.	25,029	\$ 156,516
	<hr/>	<hr/>
Liabilities:		
Due to students.	-	\$ 156,516
	<hr/>	<hr/>
Total liabilities	-	\$ 156,516
	<hr/>	<hr/>
Net assets:		
Held in trust for scholarships	25,029	
	<hr/>	
Total net assets	\$ 25,029	
	<hr/>	

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, 2010

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 29
Total additions.	29
Deductions:	
Scholarships awarded	325
Change in net assets.	(296)
Net assets at beginning of year	25,325
Net assets at end of year.	\$ 25,029

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, 2010**

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 108 square miles. It is located in Richland and Knox Counties, and includes the Villages 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 300th largest in the State of Ohio (out of approximately 905 public school districts and community schools) in terms of enrollment. It is staffed by 72 non-certified employees, 122 certified full-time teaching personnel and 13 administrators who provide services to 1,824 students and other community members. The District currently operates 4 instructional buildings and 1 garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2010, the District paid \$88,438 to the COG for various services. 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 POOL

Ohio Mid-Eastern Regional Educational Services Agency

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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, (b) grants and other resources whose use is restricted to a particular purpose, (c) food service operations; and (d) the accumulation of resources and payment of general obligation bonds.

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair market 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, 2010**

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. Allocations 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 2010 is as follows:

1. Prior to January 15, 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 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 original and final certificates of estimated resources issued for fiscal year 2010.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund budgetary statement comparison at the fund and function level.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010. The budget figures, as shown in the accompanying budgetary statement, reflect the original and 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 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 2010, investments were limited to non-negotiable certificates of deposits and State Treasury Asset Reserve of Ohio (STAR Ohio). 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 shares price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund, the food service special revenue fund, the employee benefits self-insurance internal service fund and the private-purpose trust fund. The food service special revenue fund receives interest earnings based upon federal mandate. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$222,960, which includes \$57,714 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 District's investment account at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their fair market value. Inventories are recorded 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$3,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land and construction in progress 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>
Land improvements	20 - 50 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	4 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets. There were no interfund loans receivable/payable at June 30, 2010.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave 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, 2010**

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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, 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 sick leave 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 of age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010 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. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9.A.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

L. 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 and compensated absences 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.

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation and debt service. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the fund, including claims and administrative expenses. Revenues and expenses not reported as operating are reported as nonoperating revenues and expenses.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes represents monies restricted for food service operations and adult education.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

P. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

Q. 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.

R. 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 basic financial statements.

S. 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 2010.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Vocational education enhancement	\$ 33
IDEA, Part B	51,626
Title I disadvantaged children	37,511
Drug-free school grant	29
IDEA preschool grant for the handicapped	6,196
Improving teacher quality	382

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 resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 and 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 two percent 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;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year end, the District had \$30 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Cash in Segregated Accounts

At fiscal year end, the District had \$1,112 in depository accounts for petty cash bank accounts related to support of athletic events. These depository accounts are held outside of the District’s internal investment pool. The balance in these depository accounts are not included in the amount of “deposits” reported below.

C. Cash with Fiscal Agent

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2010 was \$1,064,455. This amount is not included in the “deposits” or “investments” reported below.

D. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$7,282,988. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, \$5,808,364 of the District’s bank balance of \$7,192,402 was exposed to custodial risk as discussed below, while \$1,384,038 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

E. Investments

As of June 30, 2010, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	Investment <u>Maturity</u> 6 months or less
STAR Ohio	\$ 228,256	\$ 228,256
Total	<u>\$ 228,256</u>	<u>\$ 228,256</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 228,256	100.00
Total	<u>\$ 228,256</u>	<u>100.00</u>

F. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 7,282,988
Investments	228,256
Cash on hand	30
Cash in segregated account	1,112
Cash with fiscal agent	<u>1,064,455</u>
Total	<u>\$ 8,576,841</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 8,395,451
Private-purpose trust fund	25,029
Agency funds	<u>156,361</u>
Total	<u>\$ 8,576,841</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	<u>Amount</u>
General fund	\$ 25,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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 property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$586,577 in the general fund, \$90,394 in the bond retirement debt service fund (a nonmajor governmental fund) and \$42,017 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$867,283 in the general fund, \$100,830 in the bond retirement debt service fund (a nonmajor governmental fund) and \$61,312 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the 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, 2010 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 unearned revenue.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 178,180,530	92.89	\$ 178,850,460	93.56
Public utility personal	11,612,710	6.05	12,317,350	6.44
Tangible personal property	<u>2,015,680</u>	<u>1.06</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 191,808,920</u>	<u>100.00</u>	<u>\$ 191,167,810</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$48.25		\$48.45	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 4,661,528
Accounts	16,749
Accrued interest	3,845
Intergovernmental	<u>54,782</u>
Total	<u>\$ 4,736,904</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance <u>June 30, 2009</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2010</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 735,639	\$ -	\$ -	\$ 735,639
Construction in progress	<u>-</u>	<u>87,310</u>	<u>-</u>	<u>87,310</u>
Total capital assets, not being depreciated	<u>735,639</u>	<u>87,310</u>	<u>-</u>	<u>822,949</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,010,485	-	-	1,010,485
Building and improvements	13,077,000	-	-	13,077,000
Furniture and equipment	1,987,906	70,384	(40,010)	2,018,280
Vehicles	<u>1,832,519</u>	<u>244,474</u>	<u>(120,673)</u>	<u>1,956,320</u>
Total capital assets, being depreciated	<u>17,907,910</u>	<u>314,858</u>	<u>(160,683)</u>	<u>18,062,085</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(683,481)	(34,067)	-	(717,548)
Building and improvements	(6,075,708)	(267,640)	-	(6,343,348)
Furniture and equipment	(1,368,102)	(84,949)	28,976	(1,424,075)
Vehicles	<u>(1,234,382)</u>	<u>(121,321)</u>	<u>108,605</u>	<u>(1,247,098)</u>
Total accumulated depreciation	<u>(9,361,673)</u>	<u>(507,977)</u>	<u>137,581</u>	<u>(9,732,069)</u>
Governmental activities capital assets, net	<u>\$ 9,281,876</u>	<u>\$ (105,809)</u>	<u>\$ (23,102)</u>	<u>\$ 9,152,965</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 225,610
Special	8,452
Vocational	10,396
 <u>Support services:</u>	
Pupil	1,485
Instructional staff	20,459
Administration	16,922
Fiscal	1,867
Operations and maintenance	41,743
Pupil transportation	123,996
Extracurricular	22,795
Food service operations	<u>34,252</u>
 Total depreciation expense	 <u>\$ 507,977</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	Outstanding June 30, 2009	Additions	Reductions	Outstanding June 30, 2010	Due in One Year
General obligation bonds	\$ 6,992,530	\$ 137,971	\$ (345,000)	\$ 6,785,501	\$ 381,980
Compensated absences	<u>664,638</u>	<u>69,062</u>	<u>(59,002)</u>	<u>674,698</u>	<u>69,927</u>
 Total governmental activities	 <u>\$ 7,657,168</u>	 <u>\$ 207,033</u>	 <u>\$ (404,002)</u>	 7,460,199	 <u>\$ 451,907</u>
Less: Unamortized deferred charge on refunding				(331,879)	
Add: Unamortized premium on refunding				<u>422,023</u>	
Total on statement of net assets				<u>\$ 7,550,343</u>	

Compensated absences will be paid from the fund which the employee's salaries are paid which, for the District is primarily the general fund, the food service fund (a nonmajor governmental fund) and the Title I fund (a nonmajor governmental fund).

B. Series 1998 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 expenditure in the debt service fund (a nonmajor governmental fund).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

This remaining issue is comprised of capital appreciation bonds, par value \$153,510. The capital appreciation bonds mature on December 1, 2021 (effective interest 12.518%), December 1, 2022 (effective interest 12.518%) and December 1, 2023 (effective interest 12.518%) and December 1, 2024 (effective interest 12.518%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for capital appreciation bonds is \$3,230,000. Total accreted interest of \$547,552 has been included in the statement of net assets at June 30, 2010.

Series 2005 Refunding General Obligation Bonds

On April 26, 2005, the District issued general obligation bonds (Refunding Bonds, Series 2005) to currently refund the callable portion of the Series 1997A Current Interest Bonds and the school improvement current interest bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$6,460,000, and capital appreciation bonds, par value \$85,000. The average interest rate on the current interest bonds is 4.375%. The capital appreciation bonds mature on December 1, 2010 (effective interest 43.37%), December 1, 2011 (effective interest 34.14%), December 1, 2012 (effective interest 31.12%) and December 1, 2014 (effective interest 21.22%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for capital appreciation bonds is \$615,000. Total accreted interest of \$194,439 has been included in the statement of net assets at June 30, 2010.

Interest payments on the current interest bonds are due on June 1 and December 1 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, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

	Balance			Balance		
	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>		
Series 1998, capital appreciation bonds	\$ 153,510	\$ -	\$ -	\$ 153,510		
Series 1998, capital appreciation bonds accreted interest	469,555	77,997	-	547,552		
Series 2005, current interest bonds	6,150,000	-	(345,000)	5,805,000		
Series 2005, capital appreciation bonds	85,000	-	-	85,000		
Series 2005, capital appreciation bonds accreted interest	<u>134,465</u>	<u>59,974</u>	<u>-</u>	<u>194,439</u>		
Total general obligation bonds	<u>\$ 6,992,530</u>	<u>\$ 137,971</u>	<u>\$ (345,000)</u>	<u>\$ 6,785,501</u>		

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

Fiscal Year Ending June 30,	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 345,000	\$ 265,000	\$ 610,000	\$ 5,000	\$ 40,000	\$ 45,000
2012	370,000	244,300	614,300	5,000	35,000	40,000
2013	420,000	222,100	642,100	5,000	40,000	45,000
2014	490,000	196,900	686,900	-	-	-
2015	50,000	167,500	217,500	70,000	415,000	485,000
2016 - 2020	3,150,000	591,700	3,741,700	-	-	-
2021 - 2025	<u>980,000</u>	<u>64,662</u>	<u>1,044,662</u>	<u>153,510</u>	<u>3,076,490</u>	<u>3,230,000</u>
Total	<u>\$ 5,805,000</u>	<u>\$ 1,752,162</u>	<u>\$ 7,557,162</u>	<u>\$ 238,510</u>	<u>\$ 3,606,490</u>	<u>\$ 3,845,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$11,590,002 (including available funds of \$428,409) and an unvoted debt margin of \$191,168.

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 25 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 240 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 75 days for classified and 60 days for certified 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:			
Each occurrence	Ohio School	\$ 5,000,000	\$ 0
Aggregate	Plan	7,000,000	0
Property/building and contents	Ohio School Plan	58,563,744	1,000
Fleet:			
Comprehensive	Ohio School	ACV	1,000
Collision	Plan	ACV	1,000
Voilence	Ohio School Plan	1,000,000	0

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - RISK MANAGEMENT - (Continued)

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

B. Workers' Compensation

Due to excessive claims between January 2000 and December 2007, the District was not eligible to participate in a group-rating program for the 2010 rate year. Sheakley Uniservice, Inc. provides the District with administrative functions, cost control and actuarial services.

C. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees through Fort Dearborn 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 \$244,152 reported in the internal service fund at June 30, 2010 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>
2010	\$ 252,300	\$ 2,493,826	\$ (2,501,974)	\$ 244,152
2009	296,509	1,946,996	(1,991,205)	252,300

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$259,353, \$182,899 and \$177,956, respectively; 52.31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 12 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$823,762, \$791,785 and \$772,271, respectively; 83.95 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$44,818 made by the District and \$32,013 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$49,623, \$112,693 and \$119,145, respectively; 52.31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$15,423, \$15,091 and \$12,822, respectively; 52.31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$63,366, \$60,907 and \$59,405, respectively; 83.95 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of (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 revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and,
- (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	\$ 554,464
Net adjustment for revenue accruals	(286,332)
Net adjustment for expenditure accruals	(117,992)
Net adjustment for other sources/uses	12,000
Adjustment for encumbrances	15,290
GAAP basis	<u>\$ 177,430</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 involved in no material litigation as either plaintiff or defendant.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2010, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2009	\$ (491,792)	\$ -
Current year set-aside requirement	296,928	296,928
Current year offsets	-	(315,435)
Qualifying disbursements	<u>(237,652)</u>	<u>-</u>
Total	<u>\$ (432,516)</u>	<u>\$ (18,507)</u>
Balance carried forward to fiscal year 2011	<u>\$ (432,516)</u>	<u>\$ -</u>

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials reserves. These extra amounts may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

NOTE 17 - CONTRACTUAL COMMITMENTS

The District had the following outstanding contractual commitments at fiscal year end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Amount Outstanding</u>
Fox Enterprise Services	\$ 52,700	\$ -	\$ 52,700
Mast Electric, LLC	105,624	74,833	30,791
Professional Designs	<u>91,877</u>	<u>19,762</u>	<u>72,115</u>
Total	<u>\$ 250,201</u>	<u>\$ 94,595</u>	<u>\$ 155,606</u>

Clear Fork Valley Local School District
Richland County
Schedule of Federal Awards Expenditures
For the Year Ending June 30, 2010

Federal Grantor/Pass Through Grantor Number/Program Title	Pass Through Entity Number	CFDA Number	Federal Receipts	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Pass through Ohio Department of Development				
Nutrition Cluster:				
Cash Assistance:				
National School Lunch Program	049411-LLP4-2010	10.555	\$267,286	\$267,286
Breakfast Program	049411-05PU-2010	10.553	60,231	60,231
Non-Cash Assistance:				
National School Lunch Program	n/a	10.555	<u>96,731</u>	<u>96,731</u>
Total Nutrition Cluster			<u>424,248</u>	<u>424,248</u>
Total U.S. Department of Agriculture			424,248	424,248
<u>U.S. Department of Education</u>				
Pass through Ohio Department of Education				
ESEA Title I, Part A, Title I Grants to Local Education Agencies				
ARRA Title I-A - FY 10	N/A	84.389	107,499	107,409
Title I - Targeted Asst. FY 09	049411-C1S1-2009	84.010	33,307	34,176
Title I - Targeted Asst. FY 10	049411-C1S1-2010	84.010	<u>215,260</u>	<u>215,166</u>
Total Title I - Grants to Local Education Agencies			356,066	356,751
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children				
Special Education Cluster:				
ARRA IDEA Part B - FY10	N/A	84.391	196,713	196,565
ARRA ECSE FY10	N/A	84.392	12,392	12,392
ECSE FY10	N/A	84.173	827	827
Title VI - B - FY 09	049411-6BSF-2009	84.027	24,292	24,292
Title VI - B - FY 10	049411-6BSF-2010	84.027	<u>298,315</u>	<u>298,315</u>
Total Title VI - B, Special Education - Assistance to States			532,539	532,391
Drug - Free School Grant - FY09			3,990	3,990
ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)			535,202	530,435
Title II-D Technology				
ARRA Title II-D -FY10	N/A	84.386	2,257	2,257
Title II-A, Improv. Teacher Quality - FY09	049411-TRS1-2009	84.367	6,881	8,277
Title II-A, Improv. Teacher Quality - FY10	049411-TRS1-2010	84.367	<u>69,140</u>	<u>69,131</u>
Total Title II-A , Improv. Teacher Quality			<u>76,021</u>	<u>77,408</u>
Total U.S. Department of Education			<u>1,506,075</u>	<u>1,503,232</u>
Total Federal Expenditures			<u>\$ 1,930,323</u>	<u>\$ 1,927,480</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT
Richland County, Ohio
Notes to the Federal Awards Expenditure Schedule
For the Year Ended June 30, 2010

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2010, the District had immaterial food commodities in inventory.

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

Clear Fork Valley Local School District
Richland County
92 Hines Road
Bellville, Ohio 44813

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clear Fork Valley Local School District, (District), Richland County, Bellville, Ohio, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

Charles E. Harris and Associates, Inc.

November 23, 2010

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Clear Fork Valley Local School District
Richland County
92 Hines Road
Bellville, Ohio 44813

To the Board of Education:

Compliance

We have audited the compliance of the Clear Fork Valley Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Clear Fork Valley Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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

CHARLES E. HARRIS & ASSOCIATES, INC.

November 23, 2010

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

**Clear Fork Valley Local School District
Richland County
June 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	ARRA - State Fiscal Stabilization Fund - CFDA# 84.394 ARRA-Title I-A - CFDA# 84.389 Title I - CFDA# 84.010 Title VI-B - CFDA# 84.027 ECSE 2009-2010 - CFDA# 84.173 ARRA - ECSE 2009-2010 CFDA# 84.392 ARRA - Title VI-B - CFDA# 84.391
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

SCHEDULE OF FINDINGS - (continued)
OMB CIRCULAR A-133 SECTION .505

Clear Fork Valley Local School District
Richland County
June 30, 2010

<p>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
--

None

<p>3. FINDINGS FOR FEDERAL AWARDS</p>
--

None.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT
RICHLAND COUNTY
JUNE 30, 2010**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending June 30, 2009, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

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
JANUARY 11, 2011**