

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

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018***





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Clear Fork Valley Local School District, Richland County, prepared by Julian & Grube, Inc., for the audit period July 1, 2017 through June 30, 2018. 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.

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

Dave Yost  
Auditor of State

December 21, 2018

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

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 17
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	18
Statement of Activities .....	19
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	24
Statement of Net Position - Proprietary Fund .....	25
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund.....	26
Statement of Cash Flows - Proprietary Fund.....	27
Statement of Fiduciary Net Position - Fiduciary Funds .....	28
Statement of Changes in Fiduciary Net Position - Fiduciary Fund .....	29
Notes to the Basic Financial Statements.....	30 - 78
Required Supplementary Information:	
Schedule of the District’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio .....	79
State Teachers Retirement System (STRS) of Ohio .....	80
Schedule of District Pension Contributions:	
School Employees Retirement System (SERS) of Ohio .....	81 - 82
State Teachers Retirement System (STRS) of Ohio .....	83 - 84
Schedule of the District’s Proportionate Share of the Net OPEB Liability:	
School Employees Retirement System (SERS) of Ohio .....	85
State Teachers Retirement System (STRS) of Ohio .....	86
Schedule of District OPEB Contributions:	
School Employees Retirement System (SERS) of Ohio .....	87 - 88
State Teachers Retirement System (STRS) of Ohio .....	89 - 90
Notes to Required Supplementary Information .....	91 - 92
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	93
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	94 - 95
Independent Auditor’s Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	96 - 97
Schedule of Findings 2 <i>CFR</i> § 200.515 .....	98

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

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## Independent Auditor's Report

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

To the Board of Education:

### ***Report on the Financial Statements***

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, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Clear Fork Valley Local School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Clear Fork Valley Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Clear Fork Valley Local School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during fiscal year 2018, the Clear Fork Valley Local School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, schedules of net pension and other postemployment benefit liabilities and pension and other postemployment benefit contributions, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Supplementary Information***

Our audit was conducted to opine on the Clear Fork Valley Local School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the Clear Fork Valley Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clear Fork Valley Local School District's internal control over financial reporting and compliance.





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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018. 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 2018 are as follows:

- In total, net position of governmental activities increased \$8,857,835 which represents a 321.67% increase from 2017's restated net position due to a decrease in the net pension liability along with the District's facilities construction project.
- General revenues accounted for \$16,383,185 in revenue or 80.18% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$4,049,183 or 19.82% of total revenues of \$20,432,368.
- The District had \$11,574,533 in expenses related to governmental activities; only \$4,049,183 of these expenses were offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes, restricted grants and unrestricted grants and entitlements) of \$16,383,185 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, the classroom facilities fund and the capital projects fund. The general fund had \$17,617,168 in revenues and \$17,304,097 in expenditures and other financing uses. The general fund had an increase in the reserve for inventory for 2018 of \$5,694. During fiscal 2018, the general fund's fund balance increased \$318,765 from a fund balance of \$4,296,436 to \$4,615,201.
- The classroom facilities fund had \$10,177,210 in revenues and \$11,632,455 in expenditures. During fiscal 2018, the classroom facilities fund's fund balance decreased \$1,455,245 from a fund balance of \$12,773,833 to \$11,318,588.
- The capital projects fund had \$250,000 in other financing uses. During fiscal 2018, the capital projects fund's fund balance decreased \$250,000 from a fund balance of \$4,750,000 to \$4,500,000.

**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 position* 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, classroom facilities fund and the capital projects fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**Reporting the District as a Whole**

***Statement of Net Position 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 2018?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

These two statements report the District's *net position* and changes in that position. This change in net position 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.

Long-term liabilities decreased primarily due to a decrease in the net pension liability. This factor is outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions to District employees, not the District.

In the statement of net position 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 position and statement of activities can be found on pages 18-19 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 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the classroom facilities fund, and the capital projects 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 position 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 20-24 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

***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 25-27 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 a separate statement of fiduciary net position and changes in fiduciary net position on pages 28 and 29. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 30-78 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability. The required supplementary information can be found on pages 79 through 92 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	<b>Net Position</b>	
	Governmental Activities 2018	Restated Governmental Activities 2017
<b><u>Assets</u></b>		
Current and other assets	\$ 35,662,671	\$ 46,879,208
Capital assets, net	<u>21,833,383</u>	<u>8,878,426</u>
Total assets	<u>57,496,054</u>	<u>55,757,634</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	6,080,735	5,363,417
OPEB	<u>194,573</u>	<u>37,294</u>
Total deferred outflows of resources	<u>6,275,308</u>	<u>5,400,711</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,182,250	2,171,616
Long-term liabilities:		
Due within one year	1,253,893	1,213,194
Due in more than one year:		
Net pension liability	19,136,211	26,412,238
Net OPEB liability	4,311,460	5,416,389
Other amounts	<u>17,515,526</u>	<u>18,543,433</u>
Total liabilities	<u>46,399,340</u>	<u>53,756,870</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for next year	4,401,723	4,608,091
Unamortized deferred gain on refunding	2,284	3,229
Pension	812,565	36,459
OPEB	<u>543,919</u>	<u>-</u>
Total deferred inflows of resources	<u>5,760,491</u>	<u>4,647,779</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	11,171,914	5,875,168
Restricted	5,863,201	15,475,841
Unrestricted (deficit)	<u>(5,423,584)</u>	<u>(18,597,313)</u>
Total net position	<u>\$ 11,611,531</u>	<u>\$ 2,753,696</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

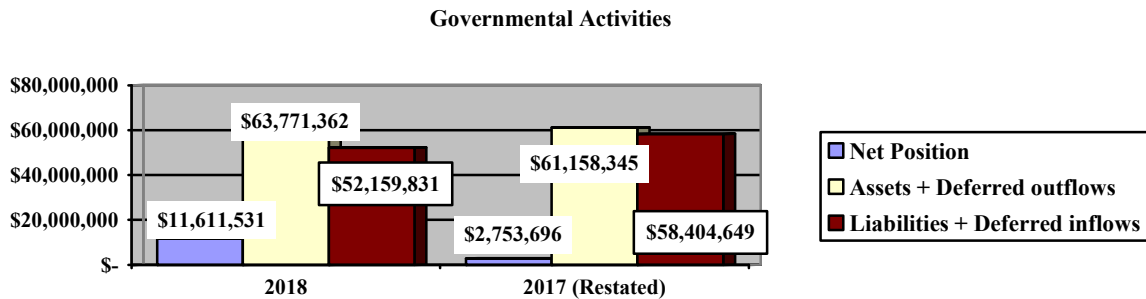
As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$8,132,791 to \$2,753,696.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$11,611,531. Assets of the District increased \$1,738,420.

At year-end, capital assets represented 37.97% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2018 was \$11,171,914. 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 position, \$5,863,201, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of \$5,423,584.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2018 and June 30, 2017. The amounts at June 30, 2017 have been restated as described in Note 3.A.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The table below shows the change in net position for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	<u>Change in Net Position</u>	
	Governmental Activities <u>2018</u>	Restated Governmental Activities <u>2017</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,073,358	\$ 1,975,150
Operating grants and contributions	1,975,825	2,069,226
General revenues:		
Property taxes	5,605,966	4,992,000
Income taxes	2,108,672	2,278,123
Grants and entitlements	8,355,392	8,336,582
OFCC grants and entitlements	-	15,615,530
Investment earnings	280,250	119,280
Other	<u>32,905</u>	<u>31,914</u>
Total revenues	<u>20,432,368</u>	<u>35,417,805</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Change in Net Position (Continued)</b>	
	Governmental Activities <u>2018</u>	Restated Governmental Activities <u>2017</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,579,189	\$ 8,109,558
Special	1,667,709	2,753,428
Vocational	238,571	424,897
Other	717,255	768,701
Support services:		
Pupil	367,938	605,557
Instructional staff	436,610	652,043
Board of education	94,365	79,426
Administration	600,566	1,396,824
Fiscal	312,428	512,682
Operations and maintenance	1,285,639	1,783,049
Pupil transportation	810,624	1,354,710
Central	20,684	42,393
Operation of non-instructional services:		
Other non-instructional services	-	2,112
Food service operations	524,553	844,920
Extracurricular activities	300,286	517,480
Interest and fiscal charges	<u>618,116</u>	<u>808,012</u>
Total expenses	<u>11,574,533</u>	<u>20,655,792</u>
Change in net position	8,857,835	14,762,013
Net position at beginning of year	<u>2,753,696</u>	<u>N/A</u>
Net position at end of year	<u>\$ 11,611,531</u>	<u>\$ 2,753,696</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$37,294 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$670,443. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Total 2018 program expenses under GASB 75	\$ 11,574,533
Negative OPEB expense under GASB 75	670,443
2018 contractually required contributions	<u>47,846</u>
Adjusted 2018 program expenses	12,292,822
Total 2017 program expenses under GASB 45	<u>20,655,792</u>
Decrease in program expenses not related to OPEB	<u>\$ (8,362,970)</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$8,857,835. Total governmental expenses of \$11,574,533 were offset by program revenues of \$4,049,183 and general revenues of \$16,383,185. Program revenues supported 34.98% of the total governmental expenses.

Overall, expenses of the governmental activities decreased \$9,081,259 or 43.96%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$5,875,831) in pension expense and (\$670,443) in OPEB expense mainly due to these benefit changes by the retirement systems. Fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years. Pension expense is a component of program expenses reported on the statement of activities. To assess fluctuations in program expenses, the increase or decrease in pension expense should be factored into the analysis. Pension expense, by function, for 2018 and 2017 follows:

	2018 Pension Expense	2017 Pension Expense	Increase (Decrease)
Program expenses:			
Instruction:			
Regular	\$ (2,949,112)	\$ 1,134,846	\$ (4,083,958)
Special	(849,293)	329,613	(1,178,906)
Vocational	(147,400)	57,930	(205,330)
Support services:			
Pupil	(128,409)	50,772	(179,181)
Instructional staff	(193,277)	67,321	(260,598)
Board of education	(2,939)	1,715	(4,654)
Administration	(475,879)	188,217	(664,096)
Fiscal	(95,160)	37,704	(132,864)
Operations and maintenance	(341,325)	138,207	(479,532)
Pupil transportation	(343,807)	142,239	(486,046)
Central	(14,014)	5,469	(19,483)
Operation of non-instructional services:			
Food service operations	(138,255)	70,888	(209,143)
Extracurricular activities	<u>(196,961)</u>	<u>74,713</u>	<u>(271,674)</u>
Total	<u>\$ (5,875,831)</u>	<u>\$ 2,299,634</u>	<u>\$ (8,175,465)</u>

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

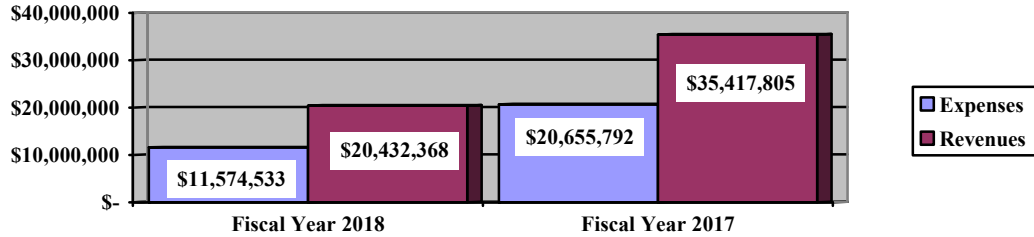
**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, unrestricted grants and entitlements and grants. These revenue sources represent 78.65% 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 \$6,202,724 or 53.59% of total governmental expenses for fiscal year 2018.

The graph below presents the District’s governmental activities revenues and expenses for 2018 and 2017.

**Governmental Activities - Revenues and Expenses**



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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**Governmental Activities**

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,579,189	\$ 2,128,455	\$ 8,109,558	\$ 6,817,207
Special	1,667,709	340,532	2,753,428	1,299,117
Vocational	238,571	124,424	424,897	314,523
Other	717,255	717,255	768,701	768,701
Support services:				
Pupil	367,938	365,582	605,557	603,112
Instructional staff	436,610	428,184	652,043	601,331
Board of education	94,365	94,365	79,426	79,426
Administration	600,566	505,790	1,396,824	1,308,412
Fiscal	312,428	301,537	512,682	496,614
Operations and maintenance	1,285,639	1,239,437	1,783,049	1,745,170
Pupil transportation	810,624	730,765	1,354,710	1,280,366
Central	20,684	20,684	42,393	42,393
Operation of non-instructional services:				
Other non-instructional services	-	-	2,112	2,112
Food service operations	524,553	(210,135)	844,920	92,536
Extracurricular activities	300,286	120,359	517,480	352,384
Interest and fiscal charges	<u>618,116</u>	<u>618,116</u>	<u>808,012</u>	<u>808,012</u>
Total expenses	<u>\$ 11,574,533</u>	<u>\$ 7,525,350</u>	<u>\$ 20,655,792</u>	<u>\$ 16,611,416</u>

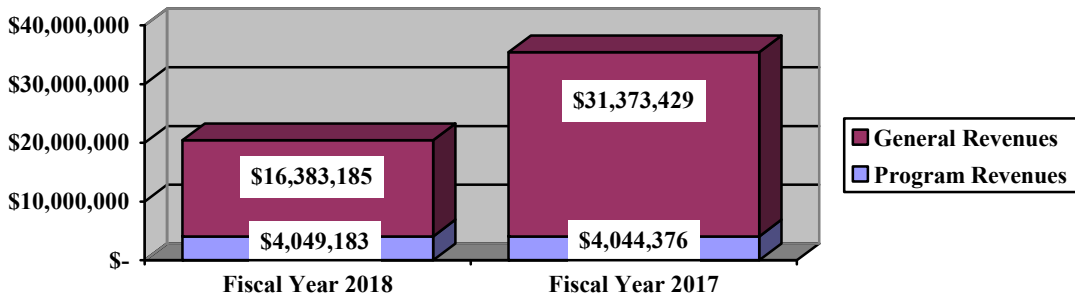
The dependence upon tax and other general revenues for governmental activities is apparent, as 46.63% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 65.02%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The graph below presents the District's governmental activities revenue for fiscal year 2018 and 2017.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$24,388,101, which is lower than last year's total of \$27,394,769. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance <u>June 30, 2018</u>	Fund Balance <u>June 30, 2017</u>	<u>Change</u>
General	\$ 4,615,201	\$ 4,296,436	\$ 318,765
Classroom facilities	11,318,588	12,773,833	(1,455,245)
Capital projects	4,500,000	4,750,000	(250,000)
Other Governmental	<u>3,954,312</u>	<u>5,574,500</u>	<u>(1,620,188)</u>
Total	<u>\$ 24,388,101</u>	<u>\$ 27,394,769</u>	<u>\$ (3,006,668)</u>

**General Fund**

The District's general fund's fund balance increased by \$318,765. The overall expenditures increased approximately \$709,294 primarily due to increases in regular and special instructional costs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Property taxes	\$ 4,601,003	\$ 4,040,823	13.86 %
Income taxes	2,108,672	2,129,646	(0.98) %
Tuition	1,451,474	1,398,504	3.79 %
Earnings on investments	121,177	21,879	453.85 %
Intergovernmental	9,137,674	9,108,894	0.32 %
Other revenues	<u>197,168</u>	<u>178,219</u>	10.63 %
 Total	 <u>\$ 17,617,168</u>	 <u>\$ 16,877,965</u>	 4.38 %
<b><u>Expenditures</u></b>			
Instruction	\$ 10,882,044	\$ 10,147,987	7.23 %
Support services	5,543,923	5,577,369	(0.60) %
Operation of non-instructional services	-	3,131	(100.00) %
Facilities acquisition and construction	13,568	3,455	292.71 %
Extracurricular activities	<u>120,115</u>	<u>118,414</u>	1.44 %
 Total	 <u>\$ 16,559,650</u>	 <u>\$ 15,850,356</u>	 4.47 %

Overall revenues increased \$739,203 or 4.38% from the prior fiscal year. The increase in property taxes and interest earnings contributed to the overall increase in revenue. The increase in total expenditures can be attributed, mainly, to the increase in wages and benefit costs.

***Classroom Facilities Fund***

The classroom facilities fund had \$10,177,210 in revenues and \$11,632,455 in expenditures. During fiscal 2018, the classroom facilities fund's fund balance decreased \$1,455,245 from a fund balance of \$12,773,833 to \$11,318,588. The expenditures in this fund are related to the District's Ohio Facilities Construction Commission building project.

***Capital Projects Fund***

The capital projects fund had \$250,000 in other financing uses. During fiscal 2018, the capital projects fund's fund balance decreased \$250,000 from a fund balance of \$4,750,000 to \$4,500,000. This fund is to be used for the District's new elementary school projects.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

***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 2018, the general fund, original revenues and other financing sources of \$17,106,119 were \$270,500 less than final budgeted revenues and other financing sources of \$17,376,619. Actual revenues and other financing sources for fiscal year 2018 were \$17,390,433. This represents a \$13,814 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures and other financing uses) of \$17,811,927 were reduced to \$17,690,223 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled \$17,264,914, which was \$425,309 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2018, the District had \$21,833,383 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, 2018 balances compared to June 30, 2017:

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

Governmental Activities

	<u>2018</u>	<u>2017</u>
Land	\$ 735,639	\$ 735,639
Construction in progress	14,518,732	1,177,318
Land improvements	365,078	409,988
Building and improvements	4,664,886	4,922,987
Furniture and equipment	830,789	939,510
Vehicles	<u>718,259</u>	<u>692,984</u>
<b>Total</b>	<b><u>\$ 21,833,383</u></b>	<b><u>\$ 8,878,426</u></b>

Total additions to capital assets for 2018 were \$13,499,098. Disposals to capital assets for 2018 were \$4,241 (net of accumulated depreciation). Depreciation expense for fiscal year 2018 was \$539,900. Overall, capital assets of the District increased \$12,954,957 due mainly to construction in progress additions related to their Ohio Facilities Construction Commission project.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

***Debt Administration***

At June 30, 2018, the District had \$14,021,127 in general obligation bonds and \$3,335,000 in certificates of participation outstanding. Of these totals, \$1,210,000 is due within one year and \$16,146,127 is due in greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
General obligation bonds	\$ 14,021,127	\$ 14,455,741
Certificates of participation	<u>3,335,000</u>	<u>3,850,000</u>
Total	<u>\$ 17,356,127</u>	<u>\$ 18,305,741</u>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The district renewed the 2012, 1% earned income tax for a 20 year term in 2018 to begin collection in 2018 with the expectation that a portion of the revenue would be used to fund new facilities. Clear Fork Valley Local Schools are currently in the process of building two new elementary facilities to house the district's K-5 students. Because of this the district has incurred new debt which is to be funded in part from the renewed income tax and from a reserve set aside in a capital asset fund. Due to the pledge of the reserve for the building project the General Fund Balance decreased by the amount of the pledge, \$5,000,000. The district has to be very careful in all of its expenditures and scrutinizes each request that is submitted. 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. The General Fund balance is stable for the immediate future but district administration must remain diligent at its goal to balance expenditures with revenues in order to keep the district solvent in the distant future.

**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, please contact Mr. Bradd Stevens, Treasurer at 92 Hines Avenue, Bellville, Ohio 44813, 419-886-3855.

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

STATEMENT OF NET POSITION  
JUNE 30, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 26,157,146
Cash with fiscal agent . . . . .	1,163,684
Cash with escrow agent . . . . .	339,420
Cash in segregated accounts . . . . .	100
Receivables:	
Property taxes . . . . .	5,471,010
Income taxes. . . . .	798,711
Accounts. . . . .	2,186
Accrued interest . . . . .	28,807
Intergovernmental . . . . .	1,623,282
Prepayments . . . . .	58,743
Materials and supplies inventory. . . . .	13,080
Inventory held for resale. . . . .	6,502
Capital assets:	
Nondepreciable capital assets . . . . .	15,254,371
Depreciable capital assets, net. . . . .	6,579,012
Capital assets, net. . . . .	21,833,383
Total assets. . . . .	57,496,054
<b>Deferred outflows of resources:</b>	
Pension . . . . .	6,080,735
OPEB . . . . .	194,573
Total deferred outflows of resources . . . . .	6,275,308
<b>Liabilities:</b>	
Accounts payable. . . . .	752
Contracts payable. . . . .	1,691,186
Retainage payable . . . . .	339,420
Accrued wages and benefits payable . . . . .	1,358,052
Intergovernmental payable . . . . .	98,303
Pension and postemployment benefits payable. . . . .	243,104
Accrued interest payable . . . . .	36,136
Claims payable. . . . .	415,297
Long-term liabilities:	
Due within one year. . . . .	1,253,893
Due in more than one year:	
Net pension liability . . . . .	19,136,211
Other amounts due in more than one year . . . . .	17,515,526
Net OPEB liability . . . . .	4,311,460
Total liabilities . . . . .	46,399,340
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	4,401,723
Unamortized deferred gain on refunding . . . . .	2,284
Pension . . . . .	812,565
OPEB . . . . .	543,919
Total deferred inflows of resources . . . . .	5,760,491
<b>Net position:</b>	
Net investment in capital assets . . . . .	11,171,914
Restricted for:	
Capital projects . . . . .	5,525,507
Classroom facilities maintenance . . . . .	229,770
Locally funded programs . . . . .	970
Student activities . . . . .	85,876
Other purposes . . . . .	21,078
Unrestricted (deficit) . . . . .	(5,423,584)
Total net position . . . . .	\$ 11,611,531

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 3,579,189	\$ 1,398,425	\$ 52,309	\$ (2,128,455)
Special . . . . .	1,667,709	107,144	1,220,033	(340,532)
Vocational . . . . .	238,571	-	114,147	(124,424)
Other . . . . .	717,255	-	-	(717,255)
Support services:				
Pupil. . . . .	367,938	-	2,356	(365,582)
Instructional staff . . . . .	436,610	-	8,426	(428,184)
Board of education . . . . .	94,365	-	-	(94,365)
Administration. . . . .	600,566	-	94,776	(505,790)
Fiscal. . . . .	312,428	10,891	-	(301,537)
Operations and maintenance . . . . .	1,285,639	34,738	11,464	(1,239,437)
Pupil transportation. . . . .	810,624	8,962	70,897	(730,765)
Central . . . . .	20,684	-	-	(20,684)
Operation of non-instructional services:				
Food service operations . . . . .	524,553	341,209	393,479	210,135
Extracurricular activities. . . . .	300,286	171,989	7,938	(120,359)
Interest and fiscal charges . . . . .	618,116	-	-	(618,116)
Total governmental activities . . . . .	<u>\$ 11,574,533</u>	<u>\$ 2,073,358</u>	<u>\$ 1,975,825</u>	<u>(7,525,350)</u>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	4,563,378
Debt service. . . . .	747,678
Capital outlay. . . . .	189,073
Classroom facilities maintenance. . . . .	105,837
Income taxes levied for:	
General purposes . . . . .	2,108,672
Grants and entitlements not restricted to specific programs . . . . .	
	8,355,392
Investment earnings . . . . .	280,250
Miscellaneous . . . . .	32,905
Total general revenues . . . . .	<u>16,383,185</u>
Change in net position . . . . .	8,857,835
<b>Net position</b>	
at beginning of year (restated). . . . .	<u>2,753,696</u>
<b>Net position at end of year. . . . .</b>	<u><u>\$ 11,611,531</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General	Classroom Facilities	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 4,671,202	\$ 12,814,814	\$ 4,500,000	\$ 4,171,130	\$ 26,157,146
Cash with escrow agent . . . . .	-	295,396	-	44,024	339,420
Cash in segregated accounts . . . . .	100	-	-	-	100
Receivables:					
Property taxes . . . . .	4,481,227	-	-	989,783	5,471,010
Income taxes . . . . .	798,711	-	-	-	798,711
Accounts . . . . .	2,163	-	-	23	2,186
Accrued interest . . . . .	21,451	4,508	-	2,848	28,807
Interfund loans . . . . .	67,568	-	-	-	67,568
Intergovernmental . . . . .	42,628	1,522,917	-	57,737	1,623,282
Prepayments . . . . .	54,193	-	-	4,550	58,743
Materials and supplies inventory . . . . .	9,955	-	-	3,125	13,080
Inventory held for resale . . . . .	-	-	-	6,502	6,502
Total assets . . . . .	<u>\$ 10,149,198</u>	<u>\$ 14,637,635</u>	<u>\$ 4,500,000</u>	<u>\$ 5,279,722</u>	<u>\$ 34,566,555</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 752	\$ -	\$ -	\$ -	\$ 752
Contracts payable . . . . .	-	1,496,827	-	194,359	1,691,186
Retainage payable . . . . .	-	295,396	-	44,024	339,420
Accrued wages and benefits payable . . . . .	1,254,091	-	-	103,961	1,358,052
Intergovernmental payable . . . . .	97,339	-	-	964	98,303
Pension and postemployment benefits payable . . . . .	225,068	-	-	18,036	243,104
Interfund loans payable . . . . .	-	-	-	67,568	67,568
Total liabilities . . . . .	<u>1,577,250</u>	<u>1,792,223</u>	<u>-</u>	<u>428,912</u>	<u>3,798,385</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year . . . . .	3,607,646	-	-	794,077	4,401,723
Delinquent property tax revenue not available . . . . .	186,137	-	-	43,145	229,282
Income tax revenue not available . . . . .	148,477	-	-	-	148,477
Intergovernmental revenue not available . . . . .	6,633	1,522,917	-	57,737	1,587,287
Accrued interest not available . . . . .	7,854	3,907	-	1,539	13,300
Total deferred inflows of resources . . . . .	<u>3,956,747</u>	<u>1,526,824</u>	<u>-</u>	<u>896,498</u>	<u>6,380,069</u>
<b>Fund balances:</b>					
Nonspendable:					
Materials and supplies inventory . . . . .	9,955	-	-	3,125	13,080
Prepays . . . . .	54,193	-	-	4,550	58,743
Restricted:					
Debt service . . . . .	-	-	-	1,152,804	1,152,804
Capital improvements . . . . .	-	11,318,588	-	2,423,353	13,741,941
Classroom facilities maintenance . . . . .	-	-	-	229,770	229,770
Food service operations . . . . .	-	-	-	28,051	28,051
Other purposes . . . . .	-	-	-	970	970
Extracurricular . . . . .	-	-	-	85,137	85,137
Committed:					
Capital improvements . . . . .	-	-	4,500,000	-	4,500,000
Other purposes . . . . .	-	-	-	88,391	88,391
Assigned:					
Student instruction . . . . .	7,000	-	-	-	7,000
Student and staff support . . . . .	42,506	-	-	-	42,506
Subsequent year's appropriations . . . . .	3,169,534	-	-	-	3,169,534
Unassigned (deficit) . . . . .	1,332,013	-	-	(61,839)	1,270,174
Total fund balances . . . . .	<u>4,615,201</u>	<u>11,318,588</u>	<u>4,500,000</u>	<u>3,954,312</u>	<u>24,388,101</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 10,149,198</u>	<u>\$ 14,637,635</u>	<u>\$ 4,500,000</u>	<u>\$ 5,279,722</u>	<u>\$ 34,566,555</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2018

<b>Total governmental fund balances</b>		\$	24,388,101
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			21,833,383
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	229,282	
Income taxes receivable		148,477	
Accrued interest receivable		13,300	
Intergovernmental receivable		1,587,287	
Total			1,978,346
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 on the statement of net position.			748,387
Unamortized premiums on bonds issued are not recognized in the funds.			(649,077)
Unamortized deferred gain on debt refunding is not recognized in the funds.			(2,284)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(36,136)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		6,080,735	
Deferred inflows of resources - pension		(812,565)	
Net pension liability		(19,136,211)	
Total			(13,868,041)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - OPEB		194,573	
Deferred inflows of resources - OPEB		(543,919)	
Net OPEB liability		(4,311,460)	
Total			(4,660,806)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(14,021,127)	
Certificates of participation		(3,335,000)	
Compensated absences		(764,215)	
Total			(18,120,342)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>11,611,531</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Classroom Facilities</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 4,601,003	\$ -	\$ -	\$ 1,052,856	\$ 5,653,859
Income taxes . . . . .	2,108,672	-	-	-	2,108,672
Tuition . . . . .	1,451,474	-	-	-	1,451,474
Earnings on investments . . . . .	121,177	116,318	-	45,820	283,315
Charges for services . . . . .	-	-	-	351,093	351,093
Extracurricular . . . . .	50,708	-	-	131,248	181,956
Classroom materials and fees . . . . .	54,095	-	-	-	54,095
Rental income . . . . .	23,849	-	-	-	23,849
Contributions and donations . . . . .	27,220	-	-	6,793	34,013
Contract services . . . . .	10,891	-	-	-	10,891
Other local revenues . . . . .	30,405	-	-	6,087	36,492
Intergovernmental - state . . . . .	9,137,674	10,060,892	-	171,916	19,370,482
Intergovernmental - federal . . . . .	-	-	-	1,019,128	1,019,128
Total revenues . . . . .	<u>17,617,168</u>	<u>10,177,210</u>	<u>-</u>	<u>2,784,941</u>	<u>30,579,319</u>
<b>Expenditures:</b>					
Instruction:					
Regular . . . . .	7,371,180	-	-	72,418	7,443,598
Special . . . . .	2,364,268	-	-	461,326	2,825,594
Vocational . . . . .	429,341	-	-	3,584	432,925
Other . . . . .	717,255	-	-	-	717,255
Support services:					
Pupil . . . . .	538,360	-	-	2,396	540,756
Instructional staff . . . . .	676,147	-	-	8,439	684,586
Board of education . . . . .	98,494	-	-	-	98,494
Administration . . . . .	1,136,221	-	-	96,392	1,232,613
Fiscal . . . . .	418,140	-	-	21,386	439,526
Operations and maintenance . . . . .	1,375,656	-	-	268,418	1,644,074
Pupil transportation . . . . .	1,260,830	-	-	30,958	1,291,788
Central . . . . .	40,075	-	-	-	40,075
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	684,411	684,411
Extracurricular activities . . . . .	120,115	-	-	418,955	539,070
Facilities acquisition and construction . . . . .	13,568	11,632,455	-	1,708,959	13,354,982
Debt service:					
Principal retirement . . . . .	-	-	-	1,150,000	1,150,000
Interest and fiscal charges . . . . .	-	-	-	473,154	473,154
Total expenditures . . . . .	<u>16,559,650</u>	<u>11,632,455</u>	<u>-</u>	<u>5,400,796</u>	<u>33,592,901</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,057,518</u>	<u>(1,455,245)</u>	<u>-</u>	<u>(2,615,855)</u>	<u>(3,013,582)</u>
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	-	-	994,447	994,447
Transfers (out) . . . . .	(744,447)	-	(250,000)	-	(994,447)
Total other financing sources (uses) . . . . .	<u>(744,447)</u>	<u>-</u>	<u>(250,000)</u>	<u>994,447</u>	<u>-</u>
Net change in fund balances . . . . .	313,071	(1,455,245)	(250,000)	(1,621,408)	(3,013,582)
<b>Fund balances at beginning of year . . . . .</b>	4,296,436	12,773,833	4,750,000	5,574,500	27,394,769
<b>Increase in reserve for inventory . . . . .</b>	5,694	-	-	1,220	6,914
<b>Fund balances at end of year . . . . .</b>	<u>\$ 4,615,201</u>	<u>\$ 11,318,588</u>	<u>\$ 4,500,000</u>	<u>\$ 3,954,312</u>	<u>\$ 24,388,101</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<b>Net change in fund balances - total governmental funds</b>	\$	(3,013,582)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense		
Capital asset additions	\$ 13,499,098	
Current year depreciation	(539,900)	
Total	12,959,198	12,959,198
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(4,241)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		6,914
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Property taxes	(47,893)	
Earnings on investments	(10,238)	
Intergovernmental	(10,089,391)	
Total	(10,147,522)	(10,147,522)
Repayment of general obligation bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
		1,150,000
In the statement of activities, interest is accrued on outstanding bonds whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(6,948)	
Accreted interest on capital appreciation bonds	(200,386)	
Amortization of bond premiums	61,427	
Amortization of deferred gain	945	
Total	(144,962)	(144,962)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement net position reports these amounts as deferred outflows.		
		1,341,408
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		5,875,831
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement net position reports these amounts as deferred outflows.		
		47,846
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		670,443
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.		
		(45,737)
An 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 revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities		
		162,239
<b>Change in net position of governmental activities</b>	\$	8,857,835

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,351,626	\$ 4,405,626	\$ 4,371,675	\$ (33,951)
Income taxes. . . . .	2,157,918	2,374,418	2,132,038	(242,380)
Tuition. . . . .	1,296,440	1,296,440	1,451,234	154,794
Earnings on investments . . . . .	70,000	70,000	118,089	48,089
Extracurricular. . . . .	13,500	13,500	14,133	633
Classroom materials and fees . . . . .	53,000	53,000	54,095	1,095
Rental income . . . . .	21,750	21,750	23,849	2,099
Contract services. . . . .	10,000	10,000	10,891	891
Other local revenues . . . . .	13,050	13,050	25,149	12,099
Intergovernmental - state . . . . .	9,101,835	9,101,835	9,115,036	13,201
Total revenues . . . . .	<u>17,089,119</u>	<u>17,359,619</u>	<u>17,316,189</u>	<u>(43,430)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,457,111	7,198,583	7,366,437	(167,854)
Special. . . . .	2,125,498	2,044,720	2,342,781	(298,061)
Vocational. . . . .	471,630	476,470	428,584	47,886
Other. . . . .	737,883	758,291	717,255	41,036
Support services:				
Pupil. . . . .	624,902	704,699	545,347	159,352
Instructional staff . . . . .	649,371	640,160	664,402	(24,242)
Board of education . . . . .	85,085	92,923	109,952	(17,029)
Administration. . . . .	1,131,980	1,165,108	1,124,844	40,264
Fiscal . . . . .	436,033	439,631	417,699	21,932
Operations and maintenance. . . . .	1,738,789	1,640,364	1,371,873	268,491
Pupil transportation . . . . .	1,807,740	1,399,825	1,254,059	145,766
Central. . . . .	39,910	41,284	39,840	1,444
Other operation of non-instructional services . . . . .	3,118	3,225	-	3,225
Extracurricular activities. . . . .	136,493	140,998	120,651	20,347
Facilities acquisition and construction . . . . .	3,867	4,000	13,568	(9,568)
Total expenditures . . . . .	<u>17,449,410</u>	<u>16,750,281</u>	<u>16,517,292</u>	<u>232,989</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(360,291)</u>	<u>609,338</u>	<u>798,897</u>	<u>189,559</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	12,000	12,000	68,189	56,189
Transfers (out). . . . .	(362,517)	(939,942)	(747,447)	192,495
Sale of capital assets . . . . .	5,000	5,000	5,880	880
Total other financing sources (uses) . . . . .	<u>(345,517)</u>	<u>(922,942)</u>	<u>(673,378)</u>	<u>249,564</u>
Net change in fund balance . . . . .	(705,808)	(313,604)	125,519	439,123
<b>Fund balance at beginning of year . . . . .</b>	<b>4,539,320</b>	<b>4,539,320</b>	<b>4,539,320</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>11,910</b>	<b>11,910</b>	<b>11,910</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 3,845,422</u></b>	<b><u>\$ 4,237,626</u></b>	<b><u>\$ 4,676,749</u></b>	<b><u>\$ 439,123</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2018

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Assets:</b>	
Cash with fiscal agent . . . . .	\$ 1,163,684
Total assets. . . . .	<u>1,163,684</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>415,297</u>
Total liabilities . . . . .	<u>415,297</u>
<b>Net position:</b>	
Unrestricted. . . . .	<u>748,387</u>
Total net position. . . . .	<u><u>\$ 748,387</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 4,297,266
Total operating revenues . . . . .	4,297,266
<b>Operating expenses:</b>	
Other . . . . .	832
Claims . . . . .	4,141,399
Total operating expenses . . . . .	4,142,231
Operating income . . . . .	155,035
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	7,204
Total nonoperating revenues . . . . .	7,204
Change in net position . . . . .	162,239
<b>Net position at beginning of year . . . . .</b>	<b>586,148</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 748,387</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 4,297,266
Cash payments for claims . . . . .	(4,132,442)
Cash payments for other expenses . . . . .	(832)
	163,992
Net cash provided by operating activities . . . . .	163,992
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	7,204
	7,204
Net cash provided by investing activities . . . . .	7,204
Net increase in cash and cash cash equivalents . . . . .	171,196
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>992,488</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 1,163,684</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income. . . . .	\$ 155,035
Changes in liabilities:	
Claims payable . . . . .	8,957
	8,957
Net cash provided by operating activities. . . . .	<b>\$ 163,992</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$ 26,339	\$ 277,135
Total assets. . . . .	26,339	\$ 277,135
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 277,135
Total liabilities . . . . .	-	\$ 277,135
<b>Net position:</b>		
Held in trust for scholarships . . . . .	26,339	
Total net position. . . . .	\$ 26,339	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 370
Total additions. . . . .	370
 Change in net position . . . . .	 370
<b>Net position at beginning of year. . . . .</b>	<b>25,969</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 26,339</b>

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, 2018**

**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 staffed by 76 non-certified employees, 123 certified full-time teaching personnel and 14 administrators who provide services to 1,576 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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". 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 government's 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, 2018

**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 2018, the District paid \$86,046 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 POOLS*

Jefferson Health Plan (JHP) Health Benefits Program

The District is a participant with several other school districts in an insurance purchasing pool operated through the Jefferson Health Plan (JHP). The JHP Health Benefits Program was formed for the purpose of providing a cooperative program to administer medical, prescription, vision, and dental benefits for employees and dependents of participating entities. JHP is governed by a Board of Directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported 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.

Classroom facilities fund - The classroom facilities fund is used to account for intergovernmental revenues from the State that are restricted for building renovation under the Ohio Facilities Construction Commission's Ohio Facilities Construction Commission (OFCC) program.

Capital Projects fund - The capital projects fund is used to account for the set aside requirement for the District's new elementary school construction projects.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*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, prescription, dental and vision benefits to employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. 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 position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

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

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, current deferred outflows of resources, current liabilities and current deferred inflows of resources 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 revenue of the District's internal service fund is charges for services. Operating expenses for the internal service fund includes claims and other 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.

**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, income 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) and revenue from income taxes is recognized in the period in which the income is earned (See Note 7).

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: income taxes, property taxes available as an advance, interest, tuition, grants, student fees and rentals.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 13 and 14 for deferred outflows of resources related to the District's net pension liability and net OPEB liability, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Notes 13 and 14 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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 funds). The specific timetable for fiscal year 2018 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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 July 1, 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 2018.
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.
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, 2018. 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. 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 investments" on 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, 2018

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

During fiscal year 2018, investments were limited to Federal Agency Securities, commercial paper, negotiable certificates of deposit (CD), a U.S. Treasury Bill, a U.S. government money market fund and State Treasury Asset Reserve of Ohio (STAR Ohio). Negotiable certificates of deposit are reported at cost.

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 classroom facilities fund, the building 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 2018 amounted to \$121,177, which includes \$13,617 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 entitlement 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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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 position, 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 acquisition 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>	<u>Governmental Activities 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 loans receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net position. Interfund loans that are used to cover negative cash balances are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

**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, 2018

**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, 2018, 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, 2018 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. Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide and fund financial statements, issuance costs are expensed in the year they occur.

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 a deferred outflow of resources or deferred inflow of resources.

On the governmental fund financial statements bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.A.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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, net pension liabilities, net OPEB liabilities 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**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. This includes amounts for materials and supplies inventory as well as prepaids.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**N. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amounts restricted for other purposes represents amounts restricted for the food service fund.

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

**O. 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.

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

**P. 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.

**Q. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**R. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**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 2018.

**T. Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 14 to the basic financial statements, and added required supplementary information which is presented on pages 85-90 and 92.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 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, 2018

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

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 8,132,791
Deferred outflows - payments subsequent to measurement date	37,294
Net OPEB liability	(5,416,389)
Restated net position at July 1, 2017	\$ 2,753,696

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

**B. Deficit Fund Balances**

Fund balances at June 30, 2018 included the following individual fund deficits:

Nonmajor funds	Deficit
IDEA Part B	\$ 24,623
Title I	30,556
Improving Teacher Quality	5,539

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

**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 investments".

**B. Cash in Segregated Accounts**

At fiscal year end, the District had \$100 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 and are covered by the FDIC. The balance in these depository accounts is not included in the amount of "deposits" reported below.

**C. Cash with Escrow Agent**

At fiscal year end, the District had \$339,420 in depository accounts for retainage related to the District's Ohio Facilities Construction Commission building project. These depository accounts are held outside of the District's internal investment pool. The balances in these depository accounts are not included in the amount of "deposits" reported below.

**D. 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, 2018 was \$1,163,684. This amount is not included in the "deposits" or "investments" reported below.

**E. Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of all District deposits was \$9,876,012. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, \$9,857,096 of the District's bank balance of \$10,122,521 was exposed to custodial risk as discussed below, while \$265,425 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. Financial institutions which have received an extension (the “grace period”) from the Ohio Treasurer of State to participate in the OPCS beyond June 30, 2018 may also pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution and not otherwise secured pursuant to law, provided that at all times the total market value of the securities so pledged is at least equal to 105% of the total amount of all public deposits to be secured by the pooled securities that are not covered by any federal deposit insurance. For 2018, none of the District’s financial institutions participated in the OPCS, because they received the extension of time to participate.

**F. Investments**

As of June 30, 2018, the District had the following investment and maturity:

Measurement/ Investment type	Measurement Value	<u>Investment Maturities</u>				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair Value:						
FHLB	3,338,863	1,496,046	681,506	688,226	-	473,085
FNMA	1,377,293	-	494,415	493,470	-	389,408
FFCB	98,312	-	-	98,312	-	-
FHLMC	2,018,882	1,526,782	-	492,100	-	-
Negotiable CD's	2,225,471	2,225,471	-	-	-	-
Commercial Paper	6,544,314	6,544,314	-	-	-	-
U.S. Treasury Bill	400,873	400,873	-	-	-	-
U.S. Government money market fund	474,362	474,362	-	-	-	-
Amortized Cost:						
STAR Ohio	106,208	106,208	-	-	-	-
Total	<u>\$ 16,584,578</u>	<u>\$ 12,774,056</u>	<u>\$ 1,175,921</u>	<u>\$ 1,772,108</u>	<u>\$ -</u>	<u>\$ 862,493</u>

The weighted average maturity of investments is 0.49 years.

The District's investments in U.S. Government money market funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FHLB, FNMA, FFCB, FHLMC, commercial paper and U.S. Treasury Bills) and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**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:* The District's investments in federal agency securities and U.S. Treasury Bills were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in commercial paper were rated P-1 by Moody's Investor Services. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio Law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. The District's investments in negotiable CD's and U.S. Government money market funds are not rated.

*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 investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*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, 2018:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% to Total</u>
Fair Value:		
FHLB	\$ 3,338,863	20.13
FNMA	1,377,293	8.30
FFCB	98,312	0.59
FHLMC	2,018,882	12.17
Negotiable CD's	2,225,471	13.42
Commercial Paper	6,544,314	39.46
U.S. Treasury Bill	400,873	2.42
U.S. Government money market fund	474,362	2.86
Amortized Cost:		
STAR Ohio	<u>106,208</u>	<u>0.65</u>
Total	<u>\$ 16,584,578</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**G. Reconciliation of Cash and Investments to the Statement of Net Position**

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 position as of June 30, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 9,876,012
Investments	16,584,578
Cash on hand	30
Cash in segregated account	100
Cash with escrow agent	339,420
Cash with fiscal agent	<u>1,163,684</u>
Total	<u>\$ 27,963,824</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 27,660,350
Private-purpose trust fund	26,339
Agency funds	<u>277,135</u>
Total	<u>\$ 27,963,824</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2018 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	<u>\$ 67,568</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2018 are reported on the statement of net position.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	\$ 744,447
Capital projects fund	<u>250,000</u>
Total	<u>\$ 994,447</u>

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. The District transferred \$250,000 from the capital projects fund to the building fund (a nonmajor governmental fund) to fund a portion of the District's local share of the Ohio Facilities Construction Commission project.

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 and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, 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.

The District receives property taxes from Richland County and Knox County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$687,444 in the general fund, \$107,336 in the bond retirement fund (a nonmajor governmental fund) and \$45,225 in the permanent improvement fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2017 was \$458,116 in the general fund, \$73,270 in the bond retirement fund (a nonmajor governmental fund) and \$33,497 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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 reported as a deferred inflow.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 195,472,050	91.85	\$ 192,763,480	90.10
Public utility personal	<u>17,354,730</u>	<u>8.15</u>	<u>21,182,130</u>	<u>9.90</u>
Total	<u>\$ 212,826,780</u>	<u>100.00</u>	<u>\$ 213,945,610</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$49.05		\$49.05	

**NOTE 7 - INCOME TAX**

The District has authorized, through voter approval in August 2012, an annual 1.00 percent earned income school district income tax levied on the income of individuals and estates for a period of five years. The tax went into effect on January 1, 2013. In March of 2016, the voters approved a 20 year renewal. The tax is to be used for normal operating expenses of the District and is credited to the general fund. The income tax revenue credited to the general fund during fiscal year 2018 was \$2,108,672.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2018 consisted of property taxes, income 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 position follows:

**Governmental activities:**

Property taxes	\$ 5,471,010
Income taxes	798,711
Accounts	2,186
Accrued interest	28,807
Intergovernmental	<u>1,623,282</u>
Total	<u>\$ 7,923,996</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year with the exception of the \$1,522,917 Ohio Facilitates Construction Commission (OFCC) grant receivable that will be collected over the course of the project.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance			Balance
	<u>June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2018</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 735,639	\$ -	\$ -	\$ 735,639
Construction in progress	<u>1,177,318</u>	<u>13,341,414</u>	<u>-</u>	<u>14,518,732</u>
Total capital assets, not being depreciated	<u>1,912,957</u>	<u>13,341,414</u>	<u>-</u>	<u>15,254,371</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,456,491	-	-	1,456,491
Building and improvements	13,173,623	-	-	13,173,623
Furniture and equipment	2,913,318	31,379	(35,827)	2,908,870
Vehicles	<u>1,953,318</u>	<u>126,305</u>	<u>(185,198)</u>	<u>1,894,425</u>
Total capital assets, being depreciated	<u>19,496,750</u>	<u>157,684</u>	<u>(221,025)</u>	<u>19,433,409</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,046,503)	(44,910)	-	(1,091,413)
Building and improvements	(8,250,636)	(258,101)	-	(8,508,737)
Furniture and equipment	(1,973,808)	(135,859)	31,586	(2,078,081)
Vehicles	<u>(1,260,334)</u>	<u>(101,030)</u>	<u>185,198</u>	<u>(1,176,166)</u>
Total accumulated depreciation	<u>(12,531,281)</u>	<u>(539,900)</u>	<u>216,784</u>	<u>(12,854,397)</u>
Governmental activities capital assets, net	<u>\$ 8,878,426</u>	<u>\$ 12,959,198</u>	<u>\$ (4,241)</u>	<u>\$ 21,833,383</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 201,144
Special	12,092
Vocational	11,699
<u>Support services:</u>	
Pupil	1,412
Instructional staff	17,380
Administration	8,312
Fiscal	246
Operations and maintenance	88,964
Pupil transportation	138,054
Extracurricular	27,780
Food service operations	<u>32,817</u>
Total depreciation expense	<u>\$ 539,900</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2018, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2017 have been restated as described in Note 3.A.

	Restated Balance Outstanding June 30, 2017	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding June 30, 2018	Amounts Due in One Year
General obligation bonds	\$ 14,455,741	\$ 200,386	\$ (635,000)	\$ 14,021,127	\$ 685,000
Certificates of participation	3,850,000	-	(515,000)	3,335,000	525,000
Net pension liability	26,412,238	-	(7,276,027)	19,136,211	-
Net OPEB liability	5,416,389	-	(1,104,929)	4,311,460	-
Compensated absences	<u>740,382</u>	<u>87,027</u>	<u>(63,194)</u>	<u>764,215</u>	<u>43,893</u>
Total governmental activities	<u>\$ 50,874,750</u>	<u>\$ 287,413</u>	<u>\$ (9,594,150)</u>	<u>41,568,013</u>	<u>\$ 1,253,893</u>
Add: Unamortized premium				<u>649,077</u>	
Total on statement of net position				<u>\$ 42,217,090</u>	

Net Pension Liability: The District's net pension liability is described in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability: The District's net OPEB liability is described in Note 14. The District pays obligations related to employee compensation from the fund benefitting from their services.

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 districted managed student activity 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 position. Payments of principal and interest relating to this bond are recorded as an expenditure in the bond retirement fund (a nonmajor governmental fund).

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 \$1,647,617 has been included in the statement of net position at June 30, 2018.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

Series 2015 Refunding Bonds

During fiscal year 2016, the District issued \$4,130,000 in general obligation bonds to refund \$4,130,000 of the Series 2005 Refunding Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2018 was \$2,325,000.

The issue is comprised of current interest bonds, par value \$4,130,000. The average interest rate on the current interest bonds is 1.71%.

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. The debt will be retired through the bond retirement fund (a nonmajor governmental fund).

The net carrying amount of the old debt exceeded the reacquisition price by \$5,040. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which had a final maturity date of December 1, 2020.

Series 2016 General Obligation Bonds

On August 25, 2016, the District issued Series 2016 General Obligation Bonds. Proceeds of \$9,900,000 from the issuance were used to finance part of the District's portion of its Ohio Facilities Construction Commission project. Interest rates on the current interest bonds range from 2.0% to 4.0% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2036. The debt will be retired through the bond retirement fund (a nonmajor governmental fund). At June 30, 2018 there was \$7,726,724 in unspent proceeds of the Series 2016 General Obligation Bonds.

Series 2016 Certificates of Participation

On September 1, 2016, the District issued certificates of participation in the amount of \$3,850,000 to finance part of the District's portion of its Ohio Facilities Construction Commission project. Interest rates on the current interest bonds range from 2.0% to 4.0% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2023. The debt will be retired through the bond retirement 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, 2018

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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

	Balance			Balance		Due In
	<u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>One Year</u>	
Series 1998, capital appreciation bonds	\$ 153,510	\$ -	\$ -	\$ 153,510	\$ -	
Series 1998, capital appreciation bonds accreted interest	1,447,231	200,386	-	1,647,617	-	
Series 2015, current interest bonds	2,955,000	-	(630,000)	2,325,000	680,000	
Series 2016, current interest bonds	<u>9,900,000</u>	<u>-</u>	<u>(5,000)</u>	<u>9,895,000</u>	<u>5,000</u>	
Total general obligation bonds	<u>\$ 14,455,741</u>	<u>\$ 200,386</u>	<u>\$ (635,000)</u>	<u>\$ 14,021,127</u>	<u>\$ 685,000</u>	

The following is a summary of the future debt service requirements to maturity for the general obligation bonds, including mandatory sinking fund deposits:

Fiscal Year <u>Ending June 30,</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 685,000	\$ 364,369	\$ 1,049,369	\$ -	\$ -	\$ -
2020	700,000	352,512	1,052,512	-	-	-
2021	720,000	340,357	1,060,357	-	-	-
2022	60,000	333,673	393,673	44,564	745,436	790,000
2023	65,000	332,590	397,590	39,853	755,147	795,000
2024 - 2028	2,700,000	1,450,691	4,150,691	69,093	1,575,907	1,645,000
2029 - 2033	3,800,000	828,563	4,628,563	-	-	-
2034 - 2037	<u>3,490,000</u>	<u>213,149</u>	<u>3,703,149</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,220,000</u>	<u>\$ 4,215,904</u>	<u>\$ 16,435,904</u>	<u>\$ 153,510</u>	<u>\$ 3,076,490</u>	<u>\$ 3,230,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the certificates of participation:

Fiscal Year Ending June 30,	Certificates of Participation		
	Principal	Interest	Total
2019	\$ 525,000	\$ 90,450	\$ 615,450
2020	535,000	79,850	614,850
2021	545,000	69,050	614,050
2022	560,000	55,200	615,200
2023	575,000	35,300	610,300
2024	595,000	11,900	606,900
Total	<u>\$ 3,335,000</u>	<u>\$ 341,750</u>	<u>\$ 3,676,750</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The 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, 2018, are a voted debt margin of \$4,699,399 (including available funds of \$1,152,804) and an unvoted debt margin of \$213,946.

**NOTE 11 - 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 260 days for all certified employees and up to 250 days for classified employees. Upon retirement, payment is made for a 30% of accrued, but unused sick leave credit, to a maximum of 75 days for classified and 25% of accrued, but unused sick leave credit, to a maximum of 65 days for certified employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - 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 100% 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
Fleet:			
Comprehensive	Ohio School	ACV	1,000
Collision	Plan	ACV	1,000
Violence	Ohio School	1,000,000	0
	Plan		

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**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (See Note 2.A.). The Plan's business and affairs are conducted by a three-member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan.

**C. Life Insurance**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**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 the JHP Health Benefits Program, a claims servicing pool, 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 \$415,297 reported in the internal service fund at June 30, 2018 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>
2018	\$ 406,340	\$ 4,141,399	\$ (4,132,442)	\$ 415,297
2017	282,119	4,182,224	(4,058,003)	406,340

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT 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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$299,116 for fiscal year 2018. Of this amount, \$22,284 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://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. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,042,292 for fiscal year 2018. Of this amount, \$183,228 is reported as pension and postemployment benefits payable.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.06985200%	0.06363250%	
Proportion of the net pension liability current measurement date	<u>0.06700380%</u>	<u>0.06370341%</u>	
Change in proportionate share	<u>-0.00284820%</u>	<u>0.00007091%</u>	
Proportionate share of the net pension liability	\$ 4,003,329	\$ 15,132,882	\$ 19,136,211
Pension expense	\$ (207,495)	\$ (5,668,336)	\$ (5,875,831)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 172,291	\$ 584,361	\$ 756,652
Changes of assumptions	207,015	3,309,727	3,516,742
Difference between District contributions and proportionate share of contributions/ change in proportionate share	17,321	448,612	465,933
District contributions subsequent to the measurement date	<u>299,116</u>	<u>1,042,292</u>	<u>1,341,408</u>
Total deferred outflows of resources	<u>\$ 695,743</u>	<u>\$ 5,384,992</u>	<u>\$ 6,080,735</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 121,965	\$ 121,965
Net difference between projected and actual earnings on pension plan investments	19,003	499,402	518,405
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>159,791</u>	<u>12,404</u>	<u>172,195</u>
Total deferred inflows of resources	<u>\$ 178,794</u>	<u>\$ 633,771</u>	<u>\$ 812,565</u>

\$1,341,408 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ 97,156	\$ 855,853	\$ 953,009
2020	192,471	1,535,209	1,727,680
2021	21,530	1,056,606	1,078,136
2022	<u>(93,324)</u>	<u>261,261</u>	<u>167,937</u>
Total	<u>\$ 217,833</u>	<u>\$ 3,708,929</u>	<u>\$ 3,926,762</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - SERS*

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
 Total	 <u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 5,555,580	\$ 4,003,329	\$ 2,703,002

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS Ohio*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 21,692,471	\$ 15,132,882	\$ 9,607,411



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the District’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at [www.ohsers.org](http://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, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$36,768.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$47,846 for fiscal year 2018. Of this amount, \$37,593 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Net OPEB Liability*

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.07063314%	0.06363250%	
Proportion of the net OPEB liability current measurement date	<u>0.06803900%</u>	<u>0.06370341%</u>	
Change in proportionate share	<u>-0.00259414%</u>	<u>0.00007091%</u>	
Proportionate share of the net OPEB liability	\$ 1,825,988	\$ 2,485,472	\$ 4,311,460
OPEB expense	\$ 87,447	\$ (757,890)	\$ (670,443)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 143,477	\$ 143,477
Difference between District contributions and proportionate share of contributions/ change in proportionate share	-	3,250	3,250
District contributions subsequent to the measurement date	<u>47,846</u>	<u>-</u>	<u>47,846</u>
Total deferred outflows of resources	<u>\$ 47,846</u>	<u>\$ 146,727</u>	<u>\$ 194,573</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 4,822	\$ 106,235	\$ 111,057
Changes of assumptions	173,277	200,213	373,490
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>59,372</u>	<u>-</u>	<u>59,372</u>
Total deferred inflows of resources	<u>\$ 237,471</u>	<u>\$ 306,448</u>	<u>\$ 543,919</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

\$47,846 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$ (85,498)	\$ (35,473)	\$ (120,971)
2020	(85,498)	(35,473)	(120,971)
2021	(65,268)	(35,473)	(100,741)
2022	(1,205)	(35,472)	(36,677)
2023	(2)	(8,914)	(8,916)
Thereafter	-	(8,916)	(8,916)
Total	\$ (237,471)	\$ (159,721)	\$ (397,192)

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 2,205,113	\$ 1,825,988	\$ 1,525,624

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 1,481,652	\$ 1,825,988	\$ 2,281,722

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate* - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 3,336,706	\$ 2,485,472	\$ 1,812,719
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,726,799	\$ 2,485,472	\$ 3,483,974

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to restricted, assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 125,519
Net adjustment for revenue accruals	237,184
Net adjustment for expenditure accruals	(13,584)
Net adjustment for other sources/uses	(71,069)
Funds budgeted elsewhere	21,162
Adjustment for encumbrances	13,859
GAAP basis	<u>\$ 313,071</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the adult education fund and the public school support fund.

**NOTE 16 - 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.

**C. Foundation Funding**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability 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, 2018

**NOTE 17 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	302,627
Current year qualifying expenditures	(319,450)
Current year offsets	<u>-</u>
Total	<u>\$ (16,823)</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

In fiscal year 2017, the District issued \$13,750,000 in capital related bonds and certificates of participation. These proceeds may be used to reduce the capital improvement set-asides for future years. The amount presented for prior year offsets from bond proceeds is limited to the amount needed to reduce the set-aside balance to \$0.

**NOTE 18 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 13,166
Classroom facilities	10,747,374
Nonmajor governmental funds	<u>2,207,912</u>
Total	<u>\$ 12,968,452</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 19 - CONTRACTUAL COMMITMENTS**

As of June 30, 2018, the District had the following contractual commitments outstanding:

<u>Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2018</u>
Four Seasons Enviromental, Inc.	\$ 71,338	\$ (17,834)	\$ 53,504
Gilbane Building Company	27,341,972	(10,439,660)	16,902,312
Garmann Miller Associates, Inc.	<u>2,224,530</u>	<u>(1,850,332)</u>	<u>374,198</u>
Total	<u>\$ 29,637,840</u>	<u>\$ (12,307,826)</u>	<u>\$ 17,330,014</u>

**NOTE 20 - TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

Other governments entered into property tax abatement agreements with property owners under the Community Urban Redevelopment program and the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The Community Urban Redevelopment and CRA programs are directive incentive tax exemption programs benefiting property owners who renovate or construct new buildings. Under these programs, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the Village of Bellville and Worthington Township have entered into such agreements. Under these agreements, the District’s property taxes were reduced by \$10,400 through the Village of Bellville’s CRA program and \$63 through Worthington Township’s Community Urban Redevelopment program. The District is not receiving any amounts from these other governments in association with the forgone property tax revenue.

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.06700380%	0.06985200%	0.06932120%	0.07071800%	0.07071800%
District's proportionate share of the net pension liability	\$ 4,003,329	\$ 5,112,522	\$ 3,955,535	\$ 3,578,998	\$ 4,205,372
District's covered payroll	\$ 2,118,893	\$ 2,216,900	\$ 2,086,927	\$ 2,054,921	\$ 2,047,052
District's proportionate share of the net pension liability as a percentage of its covered payroll	188.93%	230.62%	189.54%	174.17%	205.44%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.06370341%	0.06363250%	0.06222308%	0.06073681%	0.06073681%
District's proportionate share of the net pension liability	\$ 15,132,882	\$ 21,299,716	\$ 17,196,639	\$ 14,773,294	\$ 17,597,851
District's covered payroll	\$ 6,799,207	\$ 7,157,014	\$ 6,491,936	\$ 6,205,623	\$ 6,528,054
District's proportionate share of the net pension liability as a percentage of its covered payroll	222.57%	297.61%	264.89%	238.06%	269.57%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 299,116	\$ 296,645	\$ 310,366	\$ 275,057
Contributions in relation to the contractually required contribution	<u>(299,116)</u>	<u>(296,645)</u>	<u>(310,366)</u>	<u>(275,057)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,215,674	\$ 2,118,893	\$ 2,216,900	\$ 2,086,927
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 284,812	\$ 283,312	\$ 276,214	\$ 258,238	\$ 274,776	\$ 197,990
<u>(284,812)</u>	<u>(283,312)</u>	<u>(276,214)</u>	<u>(258,238)</u>	<u>(274,776)</u>	<u>(197,990)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,054,921	\$ 2,047,052	\$ 2,053,636	\$ 2,054,399	\$ 2,029,365	\$ 2,012,093
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,042,292	\$ 951,889	\$ 1,001,982	\$ 908,871
Contributions in relation to the contractually required contribution	<u>(1,042,292)</u>	<u>(951,889)</u>	<u>(1,001,982)</u>	<u>(908,871)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,444,943	\$ 6,799,207	\$ 7,157,014	\$ 6,491,936
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 806,731	\$ 848,647	\$ 840,610	\$ 826,063	\$ 823,762	\$ 791,785
<u>(806,731)</u>	<u>(848,647)</u>	<u>(840,610)</u>	<u>(826,063)</u>	<u>(823,762)</u>	<u>(791,785)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,205,623	\$ 6,528,054	\$ 6,466,231	\$ 6,354,331	\$ 6,336,631	\$ 6,090,654
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.06803900%	0.07063314%
District's proportionate share of the net OPEB liability	\$ 1,825,988	\$ 2,013,306
District's covered payroll	\$ 2,118,893	\$ 2,216,900
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	86.18%	90.82%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.06370341%	0.06363250%
District's proportionate share of the net OPEB liability	\$ 2,485,472	\$ 3,403,083
District's covered payroll	\$ 6,799,207	\$ 7,157,014
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	36.56%	47.55%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 47,846	\$ 37,294	\$ 35,079	\$ 52,466
Contributions in relation to the contractually required contribution	<u>(47,846)</u>	<u>(37,294)</u>	<u>(35,079)</u>	<u>(52,466)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,215,674	\$ 2,118,893	\$ 2,216,900	\$ 2,086,927
Contributions as a percentage of covered payroll	2.16%	1.76%	1.58%	2.51%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 38,021	\$ 44,348	\$ 51,850	\$ 69,964	\$ 49,623	\$ 112,693
<u>(38,021)</u>	<u>(44,348)</u>	<u>(51,850)</u>	<u>(69,964)</u>	<u>(49,623)</u>	<u>(112,693)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,054,921	\$ 2,047,052	\$ 2,053,636	\$ 2,054,399	\$ 2,029,365	\$ 2,012,093
1.85%	2.17%	2.52%	3.41%	2.45%	5.60%



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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,444,943	\$ 6,799,207	\$ 7,157,014	\$ 6,491,936
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 63,819	\$ 65,281	\$ 64,662	\$ 63,543	\$ 63,366	\$ 60,907
<u>(63,819)</u>	<u>(65,281)</u>	<u>(64,662)</u>	<u>(63,543)</u>	<u>(63,366)</u>	<u>(60,907)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,205,623	\$ 6,528,054	\$ 6,466,231	\$ 6,354,331	\$ 6,336,631	\$ 6,090,654
1.03%	1.00%	1.00%	1.00%	1.00%	1.00%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

## **SUPPLEMENTARY INFORMATION**

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<b>Child Nutrition Cluster:</b>			
(C) School Breakfast Program	10.553	2018	\$ 78,939
(C) National School Lunch Program	10.555	2018	271,486
(D) National School Lunch Program - Food Donation	10.555	2018	48,464
<b>Total National School Lunch Program</b>			<u>319,950</u>
<b>Total U.S. Department of Agriculture and Child Nutrition Cluster</b>			<u>398,889</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
Title I Grants to Local Educational Agencies	84.010	2017	40,683
Title I Grants to Local Educational Agencies	84.010	2018	209,858
<b>Total Title I Grants to Local Educational Agencies</b>			<u>250,541</u>
<b>Special Education Cluster:</b>			
Special Education_Grants to States	84.027	2017	33,793
Special Education_Grants to States	84.027	2018	275,469
<b>Total Special Education_Grants to States</b>			<u>309,262</u>
Special Education_Preschool Grants	84.173	2018	8,026
<b>Total Special Education Cluster</b>			<u>317,288</u>
Supporting Effective Instruction State Grants	84.367	2018	37,621
Title IV-A Student Support and Academic Enrichment Program	84.424A	2018	10,000
<b>Total U.S. Department of Education</b>			<u>615,450</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,014,339</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

- (A) OAKS did not assign pass-through numbers for fiscal year 2018.
- (B) The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Clear Fork Valley Local School District under programs of the federal government for the fiscal year ended June 30, 2018 and is prepared in accordance with the cash basis of accounting. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the Clear Fork Valley Local School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Clear Fork Valley Local School District.
- (C) Commingled with state and local revenue from sales of lunches and breakfast; assumed expenditures were made on a first-in, first-out basis.
- (D) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (E) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's 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 Avenue  
Bellville, Ohio 44813

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clear Fork Valley Local School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Clear Fork Valley Local School District's basic financial statements and have issued our report thereon dated December 7, 2018, wherein we noted as discussed in Note 3, the Clear Fork Valley Local School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Clear Fork Valley Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Clear Fork Valley Local School District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Clear Fork Valley Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Clear Fork Valley Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Clear Fork Valley Local School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
December 7, 2018





**Julian & Grube, Inc.**  
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance with Requirements Applicable to the  
Major Federal Program and on Internal Control Over Compliance  
Required by the Uniform Guidance**

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

To the Board of Education:

***Report on Compliance for the Major Federal Program***

We have audited the Clear Fork Valley Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Clear Fork Valley Local School District's major federal program for the fiscal year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Clear Fork Valley Local School District's major federal program.

***Management's Responsibility***

The Clear Fork Valley Local School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the Clear Fork Valley Local School District's compliance for the Clear Fork Valley Local School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Clear Fork Valley Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Clear Fork Valley Local School District's major program. However, our audit does not provide a legal determination of the Clear Fork Valley Local School District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Clear Fork Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2018.

***Report on Internal Control Over Compliance***

The Clear Fork Valley Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Clear Fork Valley Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Clear Fork Valley Local School 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
December 7, 2018

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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies (CFDA #84.010)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

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

None

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

None

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# Dave Yost • 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 3, 2019**