

**CLEAR FORK VALLEY LOCAL  
SCHOOL DISTRICT**

**RICHLAND COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
(AUDITED)  
*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2005***

**LARRY LIFER, TREASURER**





**Auditor of State  
Betty Montgomery**

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

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, 2004 through June 30, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 30, 2005

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**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT**  
**RICHLAND COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clear Fork Valley Local School District, Richland County (the "District") as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clear Fork Valley Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clear Fork Valley Local School District, Richland County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3.A. to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2 "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. In addition, the beginning net assets of the governmental activities have been restated due to errors and omissions reported in capital assets at June 30, 2004, which is described in more detail in Note 3.B.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



Julian & Grube, Inc.  
October 20, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The discussion and analysis of the Clear Fork Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. 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 2005 are as follows:

- In total, net assets of governmental activities increased \$2,171,679 which represents an 68.27% increase from 2004.
- General revenues accounted for \$13,159,844 in revenue or 86.34% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$2,081,434 or 13.66% of total revenues of \$15,241,278.
- The District had \$13,069,599 in expenses related to governmental activities; only \$2,081,434 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,159,844 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$12,613,423 in revenues and \$11,086,773 in expenditures. During fiscal 2005, the general fund's fund balance increased \$1,526,650 from \$191,629 to \$1,718,279.
- The debt service fund had \$7,896,842 in revenues and other financing sources and \$7,642,732 in expenditures and other financing uses. During fiscal 2005, the debt service fund's fund balance increased \$254,110 from \$849,220 to \$1,103,330.

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

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

***Fund Financial Statements***

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

***Governmental Funds***

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

***Proprietary Funds***

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

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

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-51 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2005 and 2004.

	<b>Net Assets</b>	
	Governmental Activities <u>2005</u>	Restated Governmental Activities <u>2004</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 8,998,846	\$ 6,928,718
Capital assets	<u>10,368,826</u>	<u>10,530,007</u>
Total assets	<u>19,367,672</u>	<u>17,458,725</u>
<b><u>Liabilities</u></b>		
Current liabilities	5,350,379	5,612,943
Long-term liabilities	<u>8,664,552</u>	<u>8,664,720</u>
Total liabilities	<u>14,014,931</u>	<u>14,277,663</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	2,833,826	2,641,497
Restricted	1,641,819	1,150,769
Unrestricted	<u>877,096</u>	<u>(611,204)</u>
Total net assets	<u>\$ 5,352,741</u>	<u>\$ 3,181,062</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$5,352,741.

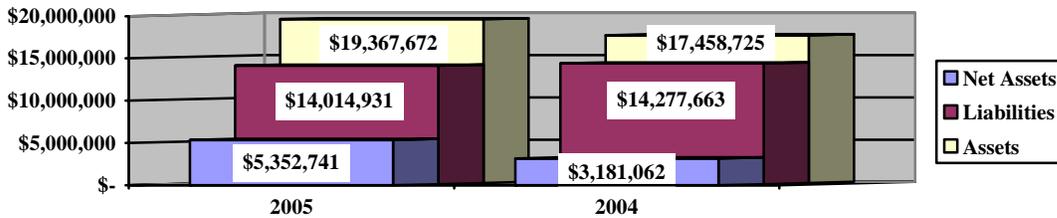
**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

At year-end, capital assets represented 53.54 % of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$2,833,826. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,641,819, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$877,096 may be used to meet the District's ongoing obligations to the students and creditors.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2005 and 2004.

	<u>Change in Net Assets</u>	
	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,108,350	\$ 923,617
Operating grants and contributions	973,084	744,928
Capital grants and contributions	-	43,175
General revenues:		
Property taxes	4,515,216	4,331,978
Grants and entitlements	8,550,901	8,354,906
Investment earnings	73,383	20,020
Other	20,344	12,327
Total revenues	<u>15,241,278</u>	<u>14,430,951</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**Change in Net Assets**

	Governmental Activities <u>2005</u>	Restated Governmental Activities <u>2004</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,099,992	\$ 5,325,407
Special	1,095,007	999,662
Vocational	132,681	117,192
Adult	-	343
Other	397,807	363,045
Support services:		
Pupil	653,313	783,381
Instructional staff	625,518	632,978
Board of education	45,497	59,543
Administration	971,135	1,071,359
Fiscal	290,747	296,442
Operations and maintenance	1,426,605	1,567,565
Pupil transportation	894,847	654,547
Central	43,707	35,186
Food service operations	710,310	676,429
Operations of non-instructional services	44,010	40,752
Extracurricular activities	344,981	346,402
Interest and fiscal charges	<u>293,442</u>	<u>456,838</u>
Total expenses	<u>13,069,599</u>	<u>13,427,071</u>
Change in net assets	2,171,679	1,003,880
Net assets at beginning of year	<u>3,181,062</u>	<u>2,177,182</u>
Net assets at end of year	<u>\$ 5,352,741</u>	<u>\$ 3,181,062</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$2,171,679. Total governmental expenses of \$13,069,599 were offset by program revenues of \$2,081,434 and general revenues of \$13,159,844. Program revenues supported 15.93% of the total governmental expenses.

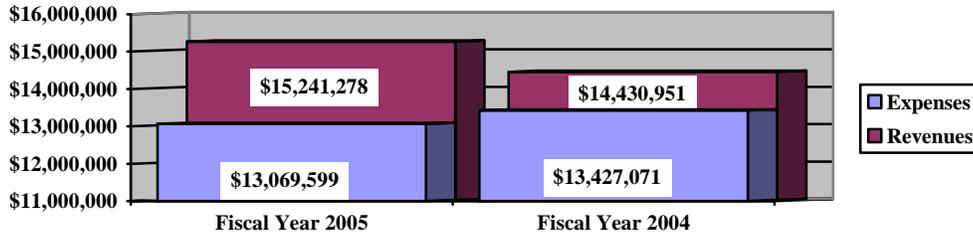
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 86.34% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

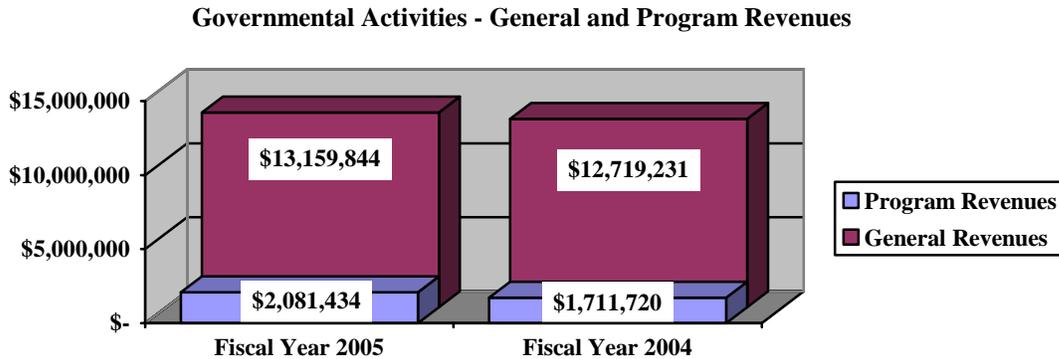
	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,099,992	\$ 4,598,912	\$ 5,325,407	\$ 4,841,884
Special	1,095,007	843,998	999,662	830,363
Vocational	132,681	126,454	117,192	114,156
Adult	-	-	343	343
Other	397,807	397,807	363,045	362,625
Support services:				
Pupil	653,313	509,340	783,381	665,793
Instructional staff	625,518	429,882	632,978	478,873
Board of education	45,497	45,497	59,543	59,543
Administration	971,135	964,947	1,071,359	1,066,037
Fiscal	290,747	290,747	296,442	295,274
Operations and maintenance	1,426,605	1,399,148	1,567,565	1,547,445
Pupil transportation	894,847	894,847	654,547	654,547
Central	43,707	31,707	35,186	35,186
Food service operations	710,310	28,475	676,429	40,074
Operations of non-instructional services	44,010	44,010	40,752	40,752
Extracurricular activities	344,981	88,952	346,402	225,618
Interest and fiscal charges	293,442	293,442	456,838	456,838
<b>Total expenses</b>	<b><u>\$ 13,069,599</u></b>	<b><u>\$ 10,988,165</u></b>	<b><u>\$ 13,427,071</u></b>	<b><u>\$ 11,715,351</u></b>

The dependence upon tax and other general revenues for governmental activities is apparent, 88.72% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.07%. The District's taxpayers, as a whole, 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, 2005  
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$3,388,311, which is higher than last year's total of \$1,364,558. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	Increase
General	\$ 1,718,279	\$ 191,629	\$ 1,526,650
Debt service	1,103,330	849,220	254,110
Other Governmental	<u>365,102</u>	<u>323,709</u>	<u>41,393</u>
Total	<u>\$ 3,186,711</u>	<u>\$ 1,364,558</u>	<u>\$ 1,822,153</u>

**General Fund**

The District's general fund's fund balance increased by \$1,526,650. The increase in fund balance can be attributed to revenues increasing faster than expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

	<u>2005</u>	<u>Restated</u> <u>2004</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,594,029	\$ 3,385,740	6.15 %
Tuition	289,390	252,113	14.78 %
Earnings on investments	62,890	20,020	214.13 %
Intergovernmental	8,442,967	8,196,438	3.00 %
Other revenues	<u>224,147</u>	<u>76,726</u>	192.14 %
Total	<u>\$ 12,613,423</u>	<u>\$ 11,931,037</u>	5.72 %
<b>Expenditures</b>			
Instruction	6,387,762	6,401,899	(0.22) %
Support services	4,440,956	5,153,369	(13.82) %
Operation of non-instructional services	44,169	45,326	(2.55) %
Extracurricular activities	<u>213,886</u>	<u>220,307</u>	(2.91) %
Total	<u>\$ 11,086,773</u>	<u>\$ 11,820,901</u>	(6.21) %

***Debt Service Fund***

The debt service fund had \$7,896,842 in revenues and other financing sources and \$7,642,732 in expenditures and other financing uses. During fiscal 2005, the debt service fund's fund balance increased \$254,110 from \$849,220 to \$1,103,330. The increase in fund balance can be attributed to a refunding of the general obligation bond debt issuance in fiscal year 2005 and a modest revenue growth in tax revenue.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2005, the District amended its general fund budget several times. For the general fund, original revenues and other financing sources were \$11,916,960. The final budgeted revenues and other financing sources were increased to \$11,945,214. Actual revenues and other financing sources for fiscal 2005 was \$12,609,140. This represents a \$663,926 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures and other financing uses) of \$11,682,995 were increased to \$11,860,707 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$11,319,068, which was \$541,639 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2005, the District had \$10,368,826 invested in land, buildings and improvements, furniture and equipment, and vehicles. The entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

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

	Governmental Activities	
	2005	2004
Land	\$ 735,639	\$ 735,639
Building and improvements	7,971,228	8,104,901
Furniture and equipment	890,407	810,723
Vehicles	771,552	878,744
Total	\$ 10,368,826	\$ 10,530,007

Total additions to capital assets for 2005 were \$265,597. Disposals to capital assets for 2005 were \$365 (net of accumulated depreciation). Depreciation expense for fiscal 2005 was \$426,413. Overall, capital assets of the District increased \$37,287.

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

***Debt Administration***

At June 30, 2005, the District had \$7,925,602 in general obligation bonds outstanding. Of this total, \$370,000 is due within one year and \$7,555,602 is due within greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
General obligation bonds	\$ 7,925,602	\$ 8,080,474
Total	\$ 7,925,602	\$ 8,080,474

At June 30, 2005, the District's overall legal debt margin was \$8,405,634 with an unvoted debt margin of \$166,310.

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

**Current Financial Related Activities**

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The District is fortunate in that previous administration had the foresight to begin taking steps to minimize expenditures. As a result of these actions, as well as additional cost-saving measures currently underway, the District is not projecting a deficit until fiscal 2010. This of course, is assuming the funding provided by the State isn't altered significantly and student enrollment remains constant

**Contacting the District's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2005

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 3,827,218
Cash with fiscal agent . . . . .	194,509
Receivables:	
Taxes . . . . .	4,690,443
Accounts . . . . .	9,470
Intergovernmental . . . . .	83,831
Accrued interest . . . . .	8,713
Prepayments . . . . .	40,987
Materials and supplies inventory . . . . .	10,261
Unamortized bond issue costs . . . . .	133,414
Capital assets:	
Land . . . . .	735,639
Depreciable capital assets, net . . . . .	9,633,187
Capital assets, net. . . . .	10,368,826
 Total assets. . . . .	 19,367,672
<b>Liabilities:</b>	
Accounts payable. . . . .	5,104
Accrued wages and benefits . . . . .	952,110
Pension obligation payable. . . . .	277,290
Intergovernmental payable . . . . .	56,736
Deferred revenue . . . . .	3,776,238
Accrued interest payable . . . . .	31,528
Claims payable . . . . .	251,373
Long-term liabilities:	
Due within one year. . . . .	414,980
Due in more than one year . . . . .	8,249,572
Total liabilities . . . . .	14,014,931
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	2,833,826
Restricted for:	
Capital projects . . . . .	387,855
Debt service. . . . .	1,117,090
Locally funded programs . . . . .	3,704
State funded programs . . . . .	8,676
Federally funded programs . . . . .	60,593
Student activities . . . . .	27,682
Public school support . . . . .	33,008
Other purposes . . . . .	3,211
Unrestricted. . . . .	877,096
Total net assets . . . . .	\$ 5,352,741

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,099,992	\$ 365,381	\$ 135,699	\$ (4,598,912)
Special . . . . .	1,095,007	757	250,252	(843,998)
Vocational . . . . .	132,681	-	6,227	(126,454)
Other . . . . .	397,807	-	-	(397,807)
Support services:				
Pupil. . . . .	653,313	48,893	95,080	(509,340)
Instructional staff . . . . .	625,518	6	195,630	(429,882)
Board of education . . . . .	45,497	-	-	(45,497)
Administration. . . . .	971,135	-	6,188	(964,947)
Fiscal. . . . .	290,747	-	-	(290,747)
Operations and maintenance . . . . .	1,426,605	7,810	19,647	(1,399,148)
Pupil transportation . . . . .	894,847	-	-	(894,847)
Central . . . . .	43,707	-	12,000	(31,707)
Operation of non-instructional services:				
Food service operations . . . . .	710,310	429,474	252,361	(28,475)
Other non-instructional services . . . . .	44,010	-	-	(44,010)
Extracurricular activities. . . . .	344,981	256,029	-	(88,952)
Interest and fiscal charges . . . . .	293,442	-	-	(293,442)
Total governmental activities . . . . .	<u>\$ 13,069,599</u>	<u>\$ 1,108,350</u>	<u>\$ 973,084</u>	<u>(10,988,165)</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				3,620,955
Debt service. . . . .				644,841
Capital projects . . . . .				249,420
Grants and entitlements not restricted to specific programs . . . . .				8,550,901
Investment earnings . . . . .				73,383
Miscellaneous . . . . .				20,344
Total general revenues . . . . .				<u>13,159,844</u>
Change in net assets . . . . .				2,171,679
<b>Net assets at beginning of year (restated)</b>				<u>3,181,062</u>
<b>Net assets at end of year . . . . .</b>				<u>\$ 5,352,741</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 2,394,038	\$ 1,029,968	\$ 403,212	\$ 3,827,218
Receivables:				
Taxes . . . . .	3,793,351	627,305	269,787	4,690,443
Accounts . . . . .	8,745	-	725	9,470
Accrued interest . . . . .	8,713	-	-	8,713
Interfund loan receivable . . . . .	3,640	-	-	3,640
Intergovernmental . . . . .	-	-	83,831	83,831
Prepayments. . . . .	40,987	-	-	40,987
Materials and supplies inventory . . . . .	-	-	10,261	10,261
<b>Total assets . . . . .</b>	<b><u>\$ 6,249,474</u></b>	<b><u>\$ 1,657,273</u></b>	<b><u>\$ 767,816</u></b>	<b><u>\$ 8,674,563</u></b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 5,082	\$ -	\$ 22	\$ 5,104
Accrued wages and benefits . . . . .	881,396	-	70,714	952,110
Compensated absences payable . . . . .	14,871	-	6,868	21,739
Pension obligation payable . . . . .	248,931	-	28,359	277,290
Intergovernmental payable . . . . .	52,118	-	4,618	56,736
Interfund loan payable . . . . .	-	-	3,640	3,640
Deferred revenue . . . . .	3,328,797	553,943	288,493	4,171,233
<b>Total liabilities . . . . .</b>	<b><u>4,531,195</u></b>	<b><u>553,943</u></b>	<b><u>402,714</u></b>	<b><u>5,487,852</u></b>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	181,426	-	31,890	213,316
Reserved for materials and supplies inventory . . . . .	-	-	10,261	10,261
Reserved for prepayments. . . . .	40,987	-	-	40,987
Reserved for debt service . . . . .	-	1,039,125	-	1,039,125
Reserved for tax revenue available for appropriation. . . . .	374,762	64,205	27,660	466,627
Unreserved, undesignated, reported in:				
General fund. . . . .	1,121,104	-	-	1,121,104
Special revenue funds. . . . .	-	-	72,379	72,379
Capital projects funds. . . . .	-	-	222,912	222,912
<b>Total fund balances . . . . .</b>	<b><u>1,718,279</u></b>	<b><u>1,103,330</u></b>	<b><u>365,102</u></b>	<b><u>3,186,711</u></b>
<b>Total liabilities and fund balances. . . . .</b>	<b><u>\$ 6,249,474</u></b>	<b><u>\$ 1,657,273</u></b>	<b><u>\$ 767,816</u></b>	<b><u>\$ 8,674,563</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005

<b>Total governmental fund balances</b>		\$	3,186,711
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			10,368,826
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	335,864	
Intergovernmental revenue		50,418	
Accrued interest		8,713	
Total			394,995
Unamortized deferred charges are not recognized in the funds.			491,181
Unamortized premiums on bond issuances are not recognized in the funds.			(624,595)
Unamortized bond issuance costs are not recognized in the funds.			133,414
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			(56,864)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(31,528)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(583,797)	
General obligation bonds		(7,925,602)	
Total			(8,509,399)
<b>Net assets of governmental activities</b>		\$	5,352,741

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,594,029	\$ 643,026	\$ 242,085	\$ 4,479,140
Tuition. . . . .	289,390	-	-	289,390
Charges for services. . . . .	-	-	429,474	429,474
Earnings on investments. . . . .	62,890	-	835	63,725
Extracurricular. . . . .	125,929	-	160,816	286,745
Classroom materials and fees . . . . .	71,045	-	-	71,045
Other local revenues. . . . .	27,173	-	24,867	52,040
Intergovernmental - state . . . . .	8,411,134	77,469	127,815	8,616,418
Intergovernmental - federal. . . . .	31,833	-	825,316	857,149
Total revenue . . . . .	<u>12,613,423</u>	<u>720,495</u>	<u>1,811,208</u>	<u>15,145,126</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,976,659	-	154,449	5,131,108
Special. . . . .	890,661	-	235,872	1,126,533
Vocational. . . . .	122,635	-	2,726	125,361
Other . . . . .	397,807	-	-	397,807
Support services:				
Pupil. . . . .	522,894	-	122,530	645,424
Instructional staff . . . . .	464,821	-	164,994	629,815
Board of education . . . . .	45,497	-	-	45,497
Administration. . . . .	968,539	-	9,247	977,786
Fiscal . . . . .	274,939	11,926	4,411	291,276
Operations and maintenance. . . . .	1,315,825	-	91,078	1,406,903
Pupil transportation . . . . .	815,186	-	-	815,186
Central. . . . .	33,255	-	12,000	45,255
Operation of non-instructional services:				
Food service operations . . . . .	-	-	690,549	690,549
Other non-instructional services . . . . .	44,169	-	-	44,169
Extracurricular activities. . . . .	213,886	-	131,495	345,381
Facilities acquisition and construction . . . . .	-	-	152,663	152,663
Debt service:				
Principal retirement . . . . .	-	200,000	-	200,000
Interest and fiscal charges . . . . .	-	254,459	-	254,459
Bond issuance costs . . . . .	-	134,856	-	134,856
Total expenditures . . . . .	<u>11,086,773</u>	<u>601,241</u>	<u>1,772,014</u>	<u>13,460,028</u>
Excess of revenues over expenditures . . . . .	<u>1,526,650</u>	<u>119,254</u>	<u>39,194</u>	<u>1,685,098</u>
<b>Other financing sources (uses):</b>				
Premium on bonds sold . . . . .	-	631,347	-	631,347
Sale of bonds . . . . .	-	6,545,000	-	6,545,000
Payment to refunded bond escrow . . . . .	-	(7,041,491)	-	(7,041,491)
Total other financing sources (uses). . . . .	<u>-</u>	<u>134,856</u>	<u>-</u>	<u>134,856</u>
Net change in fund balances . . . . .	1,526,650	254,110	39,194	1,819,954
<b>Fund balances at</b>				
<b>beginning of year (restated) . . . . .</b>	191,629	849,220	323,709	1,364,558
Increase in reserve for inventory. . . . .	-	-	2,199	2,199
Fund balances at end of year . . . . .	<u>1,718,279</u>	<u>1,103,330</u>	<u>365,102</u>	<u>3,186,711</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<b>Net change in fund balances - total governmental funds</b>	\$	1,819,954
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	265,597	
Current year depreciation	(426,413)	
Total		(160,816)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(365)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		2,199
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	36,076	
Intergovernmental revenue	50,418	
Accrued interest	8,713	
Total		95,207
Repayment of general obligation bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		6,745,000
Proceeds of refunding bonds are recorded as revenue in the governmental funds, however, the proceeds increase long-term liabilities on the statement net assets.		
		(6,545,000)
Deferred charges are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		
		491,181
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		
		(624,595)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		
		133,414
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
Accrued interest	6,145	
Accreted interest on capital appreciation bonds	(45,128)	
Total		(38,983)
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.		
		(724)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.		
		255,207
<b>Change in net assets of governmental activities</b>	\$	2,171,679

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,494,403	\$ 3,502,755	\$ 3,481,460	\$ (21,295)
Tuition. . . . .	252,483	253,086	289,390	36,304
Earnings on investments. . . . .	14,964	15,000	67,131	52,131
Extracurricular. . . . .	107,033	107,289	125,896	18,607
Classroom materials and fees . . . . .	64,845	65,000	70,934	5,934
Other local revenues. . . . .	10,016	10,040	18,860	8,820
Intergovernmental - state . . . . .	7,838,311	7,857,044	8,411,134	554,090
Intergovernmental - federal . . . . .	39,905	40,000	49,335	9,335
Total revenue . . . . .	<u>11,821,960</u>	<u>11,850,214</u>	<u>12,514,140</u>	<u>663,926</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,031,517	5,108,075	5,004,449	103,626
Special. . . . .	948,443	962,874	905,776	57,098
Vocational. . . . .	124,611	126,507	122,170	4,337
Other. . . . .	413,196	419,483	411,032	8,451
Support services:				
Pupil. . . . .	552,811	561,223	544,564	16,659
Instructional staff . . . . .	473,953	481,165	441,996	39,169
Board of education . . . . .	63,236	64,198	49,106	15,092
Administration. . . . .	991,451	1,006,537	971,296	35,241
Fiscal . . . . .	283,589	287,904	278,917	8,987
Operations and maintenance. . . . .	1,465,297	1,487,593	1,327,534	160,059
Pupil transportation . . . . .	1,041,838	1,057,691	980,013	77,678
Central. . . . .	37,037	37,601	33,255	4,346
Operation of non-instructional services . . . . .	39,391	39,990	39,071	919
Extracurricular activities. . . . .	212,985	216,226	206,249	9,977
Total expenditures . . . . .	<u>11,679,355</u>	<u>11,857,067</u>	<u>11,315,428</u>	<u>541,639</u>
Excess of revenues over (under) expenditures. . . . .	<u>142,605</u>	<u>(6,853)</u>	<u>1,198,712</u>	<u>1,205,565</u>
<b>Other financing sources (uses):</b>				
Advances in . . . . .	95,000	95,000	95,000	-
Advances (out). . . . .	(3,640)	(3,640)	(3,640)	-
Total other financing sources (uses) . . . . .	<u>91,360</u>	<u>91,360</u>	<u>91,360</u>	<u>-</u>
Net change in fund balance . . . . .	233,965	84,507	1,290,072	1,205,565
<b>Fund balance at beginning of year. . . . .</b>	886,523	886,523	886,523	-
<b>Prior year encumbrances appropriated . . . . .</b>	32,944	32,944	32,944	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,153,432</u>	<u>\$ 1,003,974</u>	<u>\$ 2,209,539</u>	<u>\$ 1,205,565</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2005

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Cash with fiscal agent . . . . .	\$ 194,509
Total assets . . . . .	194,509
<b>Liabilities:</b>	
Claims payable . . . . .	251,373
Total liabilities . . . . .	251,373
<b>Net assets:</b>	
Unrestricted. . . . .	(56,864)
Total net assets . . . . .	\$ (56,864)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 2,396,323
Total operating revenues . . . . .	<u>2,396,323</u>
<b>Operating expenses:</b>	
Fringe benefits. . . . .	136,273
Claims. . . . .	2,005,788
Total operating expenses . . . . .	<u>2,142,061</u>
Operating income . . . . .	<u>254,262</u>
<b>Nonoperating revenues:</b>	
Interest revenue. . . . .	<u>945</u>
Total nonoperating revenues . . . . .	<u>945</u>
Change in net assets. . . . .	255,207
<b>Net assets at beginning of year . . . . .</b>	<u>(312,071)</u>
<b>Net assets at end of year . . . . .</b>	<u><u>\$ (56,864)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 2,396,323
Cash payments for fringe benefits. . . . .	(136,273)
Cash payments for claims. . . . .	<u>(2,015,635)</u>
Net cash provided by operating activities . . . . .	<u>244,415</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash used in repayment of interfund loans. . . . .	<u>(95,000)</u>
Net cash used in noncapital financing activities . . . . .	<u>(95,000)</u>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	<u>945</u>
Net cash provided by investing activities . . . . .	<u>945</u>
Net increase in cash and cash equivalents . . . . .	150,360
<b>Cash and cash equivalents at beginning of year. . .</b>	<u>44,149</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 194,509</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income. . . . .	\$ 254,262
Changes in assets and liabilities: Decrease in claims payable . . . . .	<u>(9,847)</u>
Net cash provided by operating activities . . . . .	<u><u>\$ 244,415</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 25,538	\$ 89,854
Total assets . . . . .	25,538	\$ 89,854
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 89,854
Total liabilities . . . . .	-	\$ 89,854
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	25,538	
Total net assets . . . . .	\$ 25,538	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 537
Total additions. . . . .	537
<b>Deductions:</b>	
Scholarships awarded . . . . .	518
Change in net assets . . . . .	19
<b>Net assets at beginning of year . . . . .</b>	<b>25,519</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 25,538</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

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

The District is the 298<sup>th</sup> largest in the State of Ohio (out of approximately 614 public school districts) in terms of enrollment. It is staffed by 78 non-certificated employees and 121 certificated full-time teaching personnel who provide services to 1,881 students and other community members. The District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

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

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of 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). The following organizations are described due to their relationship to the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

*JOINTLY GOVERNED ORGANIZATIONS*

Heartland Council of Governments (the "COG")

The COG is a jointly governed organization among 21 school districts and 2 county boards of education. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic technology for administrative and instructional functions. Each member district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14 and 39, the District does not have any equity interest in the COG.

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

Knox County Career Center

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

*INSURANCE PURCHASING POOLS*

Ohio Mid-Eastern Regional Educational Services Agency

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

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

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

**PROPRIETARY FUND**

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

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

**FIDUCIARY FUNDS**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**D. Basis of Accounting**

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

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds (except Agency). The specific timetable for fiscal year 2005 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2005.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund budgetary statement comparison at the fund and function level.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2005. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2005, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the Food Service special revenue fund, the Building capital projects fund, the Employee Benefits Self-Insurance internal service fund, and the private-purpose trust fund. The Food Service special revenue fund receives interest earnings based upon federal mandate. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$62,890, which includes \$31,303 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

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

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

**J. Compensated Absences**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2005, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least 20 years of current service with the District, or 15 years of service and 45 years of age, or 5 years of service and 50 of age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**K. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

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

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

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

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

**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, 2005**

**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, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**M. Fund Balance Reserves**

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

**N. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

**O. Net Assets**

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

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

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**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.

**R. 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 2005.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 304,037	\$ 849,220	\$ 349,084	\$ 1,502,341
GASB Technical Bulletin No. 2004-2	<u>(112,408)</u>	<u>-</u>	<u>(25,375)</u>	<u>(137,783)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 191,629</u>	<u>\$ 849,220</u>	<u>\$ 323,709</u>	<u>\$ 1,364,558</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**B. Restatement of Net Assets**

The beginning net assets of the governmental activities have been restated due to errors and omissions reported in capital assets at June 30, 2004. The adjustment for capital assets had the following effect on net assets as previously reported:

	Governmental Activities
Net assets, June 30, 2004	\$ 2,993,164
Adjustment for capital assets	187,898
Restated adjusted net assets, June 30, 2005	\$ 3,181,062

**C. Deficit Fund Balances**

Fund balances at June 30, 2005 included the following individual fund deficits:

	Deficit
<u>Nonmajor Funds</u>	
EMIS	\$ 1,123
Ohio Reads	60
Summer Intervention	172
Vocational Education Enhancement	26
Title I	663
Title VI	71
Miscellaneous Federal Grants	36

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

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

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

Interim monies to 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State 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.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**A. Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all District deposits was \$3,416,570. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$3,216,318 of the District's bank balance of \$3,508,318 was exposed to custodial risk as discussed below, while \$292,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**B. 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, 2005 was \$194,509. This amount is not included in the deposits or investments reported.

**C. Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>19 to 24 months</u>
STAR Ohio	\$ 28,225	\$ 28,225	\$ -
FHLB	497,815	-	497,815
	<u>\$ 526,040</u>	<u>\$ 28,225</u>	<u>\$ 497,815</u>

The weighted average maturity of investments is 1.54 years.

*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, except STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

*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, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 28,225	5.37
FHLB	<u>497,815</u>	<u>94.63</u>
	<u>\$ 526,040</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 3,416,570
Investments	<u>526,040</u>
Total	<u>\$ 3,942,610</u>
<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,827,218
Private-purpose trust funds	25,538
Agency funds	<u>89,854</u>
Total	<u>\$ 3,942,610</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2005 as reported on the fund statements, consist of the following individual interfund loan receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 3,640

This interfund balance will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Richland and Knox Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$374,762 in the general fund, \$64,205 in the debt service fund and \$27,660 in the permanent improvement fund (other governmental funds). This amount has been recorded as revenue. The amount available as an advance at June 30, 2004 was \$276,537 in the general fund, \$45,709 in the debt service fund and \$14,232 in the permanent improvement fund.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 142,071,640	87.10	\$ 146,785,890	88.26
Public utility personal	13,292,890	8.15	12,843,540	7.72
Tangible personal property	<u>7,747,095</u>	<u>4.75</u>	<u>6,680,632</u>	<u>4.02</u>
Total	<u>\$ 163,111,625</u>	<u>100.00</u>	<u>\$ 166,310,062</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 56.60		\$ 55.65	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$ 4,690,443
Accounts	9,470
Intergovernmental	83,831
Accrued interest	<u>8,713</u>
Total	<u>\$ 4,792,457</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 8 - CAPITAL ASSETS**

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

	Balance <u>June 30, 2004</u>	<u>Adjustments</u>	Restated Balance <u>July 1, 2004</u>
<b>Governmental Activities:</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 735,639	\$ -	\$ 735,639
Total capital assets, not being depreciated	<u>735,639</u>	<u>-</u>	<u>735,639</u>
<i>Capital assets, being depreciated:</i>			
Buildings and improvement	12,246,594	-	12,246,594
Furniture and equipment	1,892,176	-	1,892,176
Vehicles	<u>1,722,871</u>	<u>187,898</u>	<u>1,910,769</u>
Total capital assets, being depreciated	<u>15,861,641</u>	<u>187,898</u>	<u>16,049,539</u>
<i>Less: accumulated depreciation</i>	<u>(6,255,171)</u>	<u>-</u>	<u>(6,255,171)</u>
Governmental activities capital assets, net	<u>\$ 10,342,109</u>	<u>\$ 187,898</u>	<u>\$ 10,530,007</u>

- B. Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2005</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 735,639	\$ -	\$ -	\$ 735,639
Total capital assets, not being depreciated	<u>735,639</u>	<u>-</u>	<u>-</u>	<u>735,639</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	12,246,594	84,250	-	12,330,844
Furniture and equipment	1,892,176	181,347	(3,653)	2,069,870
Vehicles	<u>1,910,769</u>	<u>-</u>	<u>-</u>	<u>1,910,769</u>
Total capital assets, being depreciated	<u>16,049,539</u>	<u>265,597</u>	<u>(3,653)</u>	<u>16,311,483</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(4,141,693)	(217,923)	-	(4,359,616)
Furniture and equipment	(1,081,453)	(101,298)	3,288	(1,179,463)
Vehicles	<u>(1,032,025)</u>	<u>(107,192)</u>	<u>-</u>	<u>(1,139,217)</u>
Total accumulated depreciation	<u>(6,255,171)</u>	<u>(426,413)</u>	<u>3,288</u>	<u>(6,678,296)</u>
Governmental activities capital assets, net	<u>\$ 10,530,007</u>	<u>\$ (160,816)</u>	<u>\$ (365)</u>	<u>\$ 10,368,826</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 218,818
Special	5,456
Vocational	7,335
Support Services:	
Pupil	3,141
Instructional staff	17,042
Administration	7,940
Operations and maintenance	16,732
Pupil transportation	106,421
Operation of non-instructional services:	
Food service operations	15,963
Extracurricular activities	<u>27,565</u>
Total depreciation expense	<u>\$ 426,413</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	<u>Outstanding</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>June 30, 2005</u>	<u>Due in</u> <u>One Year</u>
General obligation bonds	\$ 8,080,474	\$ 6,590,128	\$(6,745,000)	\$ 7,925,602	\$ 370,000
Compensated absences	<u>584,246</u>	<u>75,290</u>	<u>(54,000)</u>	<u>605,536</u>	<u>44,980</u>
Total governmental activities	<u>\$ 8,664,720</u>	<u>\$ 6,665,418</u>	<u>\$(6,799,000)</u>	8,531,138	<u>\$ 414,980</u>
Less: Unamortized deferred charge on refunding				(491,181)	
Add: Unamortized premium on refunding				<u>624,595</u>	
Total on statement of net assets				<u>\$ 8,664,552</u>	

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

During fiscal year 2005, the District refunded all but \$75,000 of the bonds.

*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 unmaturing obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as expenditure in the debt service fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

This issue is comprised of both current interest bonds, par value \$7,610,000, and capital appreciation bonds, par value \$3,230,000. The interest rates on the current interest bonds range from 3.90% to 5.375%. The capital appreciation bonds mature on December 1, 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 present value (as of issue date) reported in the statement of net assets at June 30, 2005 was \$388,723. A total of \$235,213 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2005.

During 2005, a portion of the current interest bonds was refunded. The remaining balance of \$915,000 has a final maturity date of December 1, 2008.

*Series 2005 Refunding General Obligation Bonds*

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

The refunding issue is comprised of both current interest bonds, par value \$6,460,000, and capital appreciation bonds, par value \$85,000. The average interest rate on the current interest bonds is 4.375%. The capital appreciation bonds mature on December 1, 2010 (effective interest 43.37%), December 1, 2011 (effective interest 34.14%), December 1, 2012 (effective interest 31.12%) and December 1, 2014 (effective interest 21.22%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2005 was \$85,000. Total accreted interest of \$1,879 has been included in the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$496,491. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This current refunding was undertaken to reduce total debt service payments over the next 20 years by 6.18% and resulted in an economic gain of \$404,214.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>General Obligation Debt</u>				
Current interest bonds -				
1997 Series A	\$ 845,000	\$ -	\$ (770,000)	\$ 75,000
Current interest bonds -				
school improvement	6,890,000	-	(5,975,000)	915,000
Capital appreciation bonds -				
school improvement	345,474	43,249	-	388,723
Series 2005, current				
interest bonds	-	6,460,000	-	6,460,000
Series 2005, capital				
appreciation bonds	-	86,879	-	86,879
Total general obligation bonds	<u>\$ 8,080,474</u>	<u>\$ 6,590,128</u>	<u>\$ (6,745,000)</u>	<u>\$ 7,925,602</u>
Payment for debt refunding			<u>6,545,000</u>	
Principal payments on G.O. Bonds			<u>\$ (200,000)</u>	

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

<u>Fiscal</u> <u>Year Ending</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 370,000	\$ 199,566	\$ 569,566	\$ -	\$ -	\$ -
2007	300,000	303,600	603,600	-	-	-
2008	315,000	290,200	605,200	-	-	-
2009	315,000	284,850	599,850	-	-	-
2010	345,000	285,700	630,700	-	-	-
2011 - 2015	1,675,000	1,095,800	2,770,800	85,000	-	85,000
2016 - 2020	3,150,000	591,700	3,741,700	-	-	-
2021 - 2025	<u>980,000</u>	<u>64,662</u>	<u>1,044,662</u>	<u>3,230,000</u>	<u>-</u>	<u>3,230,000</u>
Total	<u>\$ 7,450,000</u>	<u>\$ 3,116,078</u>	<u>\$ 10,566,078</u>	<u>\$ 3,315,000</u>	<u>\$ -</u>	<u>\$ 3,315,000</u>

**C. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$8,405,634 (including available funds of \$1,103,330) and an unvoted debt margin of \$166,310.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 10 - COMPENSATED ABSENCES**

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

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

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	The Midwestern		
Each occurrence	Indemnity	\$ 1,000,000	\$ 0
Aggregate	Company	2,000,000	\$ 0
Property/building and contents	The Midwestern Indemnity Company	42,998,548	\$5,000
Fleet:			
Comprehensive	Consolidated	1,000,000	\$ 500
Collision	Insurance Company	1,000,000	\$1,000
Umbrella liability	Indiana Insurance	4,000,000	\$ 0

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

**B. Workers' Compensation**

Due to excessive claims between January 1999 and December 2002, the district was not eligible to participate in a group-rating program for the 2005 rate year. Sheakley Uniservice, Inc. provides the District with administrative functions, cost control, and actuarial services.

**C. Life Insurance**

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 11 - 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 a claims servicing pool, consisting of 74 school districts within the state, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$251,373 reported in the internal service fund at June 30, 2005 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>Claims Payments</u>	<u>Balance at End of Year</u>
2005	\$ 261,220	\$ 2,005,788	\$ (2,015,635)	\$ 251,373
2004	277,028	1,377,800	(1,393,608)	261,220

**NOTE 12 - DEFINED BENEFIT PENSION PLAN**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$244,568, \$264,691 and \$258,191, respectively; 47.71% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$127,884 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, 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. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$725,760, \$741,864, and \$711,756, respectively; 84.26% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$114,240 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$613 made by the District and \$19,925 made by plan members.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$51,840 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$97,742 during the 2005 fiscal year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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:

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ 1,290,072
Net adjustment for revenue accruals	99,283
Net adjustment for expenditure accruals	41,971
Net adjustment for other sources/uses	(91,360)
Adjustment for encumbrances	<u>186,684</u>
GAAP basis	<u>\$ 1,526,650</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is party to legal proceedings seeking damage or injunctive relief generally incidental to its operations and spending projects. The District is of the opinion that the disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition 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, 2005

**NOTE 15 - CONTINGENCIES - (Continued)**

**C. State School Funding Decision**

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

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

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ (155,058)	\$ (331,234)
Current year set-aside requirement	258,102	258,102
Current year offsets	-	(273,689)
Qualifying disbursements	<u>(250,067)</u>	<u>(211,713)</u>
Total	<u>\$ (147,023)</u>	<u>\$ (558,534)</u>
Cash balance carried forward to FY 2006	<u>\$ (147,023)</u>	<u>\$ (331,234)</u>

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

## **SUPPLEMENTAL DATA**

CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A),(B) Food Donation	10.550	N/A	\$ -	\$ 45,612	\$ -	\$ 45,612
(A),(C) School Breakfast Program	10.553	049411-05-PU-2004	9,287	-	9,287	-
(A),(C) School Breakfast Program	10.553	049411-05-PU-2005	30,296	-	30,296	-
(A),(C) School Breakfast Program	10.553	049411-05-RE-2004	4,500	-	4,500	-
(A),(C) National School Lunch Program	10.555	049411-LL-P4-2004	45,732	-	45,732	-
(A),(C) National School Lunch Program	10.555	049411-LL-P4-2005	138,350	-	138,350	-
(A),(C) Special Milk for Children Program	10.556	049411-02-PU-2004	577	-	577	-
(A),(C) Special Milk for Children Program	10.556	049411-02-PU-2005	1,858	-	1,858	-
<b>Total U.S. Department of Agriculture and Nutrition Cluster</b>			<u>230,600</u>	<u>45,612</u>	<u>230,600</u>	<u>45,612</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I - Grants to Local Educational Agencies	84.010	049411-C1-S1-2004	10,347		21,652	
Title I - Grants to Local Educational Agencies	84.010	049411-C1-S1-2005	148,476		144,083	
<b>Total Title I - Grants to Local Educational Agencies</b>			<u>158,823</u>		<u>165,735</u>	
Special Education - Grants to States	84.027	049411-6B-PB-2005	15,000		15,000	
Special Education - Grants to States	84.027	049411-6B-SD-2005	54,488		53,724	
Special Education - Grants to States	84.027	049411-6B-SF-2004 - P	-		18,222	
Special Education - Grants to States	84.027	049411-6B-SF-2005	256,407		244,649	
<b>Total Special Education - Grants to States</b>			<u>325,895</u>		<u>331,595</u>	
Safe and Drug-Free Schools and Communities - State Grants	84.186	049411-DR-S1-2005	5,211		4,686	
State Grants for Innovative Programs	84.298	049411-C2-S1-2005	7,459		7,459	
Education Technology State Grants	84.318	049411-TJ-S1-2005	4,509		4,509	
Advance Placement Program	84.330	049411-AV-TF-2004	104		-	
Improving Teacher Quality State Grants	84.367	049411-TR-S1-2004	1,804		7,779	
Improving Teacher Quality State Grants	84.367	049411-TR-S1-2005	55,461		56,339	
<b>Total Improving Teacher Quality State Grants</b>			<u>57,265</u>		<u>64,118</u>	
<b>Total U.S. Department of Education</b>			<u>559,266</u>		<u>578,102</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:</b>						
Student Children Health Insurance Program	93.767	N/A	3,471		3,471	
Medical Assistance Program	93.778	N/A	45,864		45,864	
<b>Total U.S. Department of Health and Human Services</b>			<u>49,335</u>		<u>49,335</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 839,201</u>	<u>\$ 45,612</u>	<u>\$ 858,037</u>	<u>\$ 45,612</u>

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



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

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

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

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

We have audited the financial statements of the governmental activities, its major funds, and the remaining aggregate fund information of the Clear Fork Valley Local School District as of and for the fiscal year ended June 30, 2005, which collectively comprise Clear Fork Valley Local School District's basic financial statements and have issued our report dated October 20, 2005. The District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2 "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. In addition, the beginning net assets of the governmental activities have been restated due to errors and omissions reported in capital assets at June 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated October 20, 2005.

Board of Education  
Clear Fork Valley Local School District

Compliance and Other Matters

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

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

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

Julian & Grube, Inc.  
October 20, 2005



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

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

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

#### Compliance

We have audited the compliance of the Clear Fork Valley Local School District, Richland County, (the “District”) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2005. As disclosed in Note 3.A. to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2 “Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers” for the fiscal year ended June 30, 2005. In addition, the beginning net assets of the governmental activities have been restated due to errors and omissions reported in capital assets at June 30, 2004, which is described in more detail in Note 3.B. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

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

Board of Education  
Clear Fork Valley Local School District

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2005.

Internal Control Over Compliance

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

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

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



Julian & Grube, Inc.  
October 20, 2005

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Nutrition Cluster: Food Donation CFDA #10.550; School Breakfast Program; CFDA #10.553; National School Lunch Program CFDA #10.555; Special Milk Program for Children CFDA #10.556
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2005**

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

None.

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

None.



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**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 17, 2006**