

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

**BASIC FINANCIAL STATEMENTS  
*(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008***

**LARRY LIFER, TREASURER**





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *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, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 24, 2009

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

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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, its major fund, and the aggregate remaining fund information of the Clear Fork Valley Local School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise the Clear Fork Valley Local School 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Clear Fork Valley Local School District, Richland County, Ohio, as of June 30, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2008, on our consideration of the Clear Fork Valley Local School District's internal control over financial reporting and on 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.

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

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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clear Fork Valley Local School District's basic financial statements. The accompanying schedule of 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.

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

Julian & Grube, Inc.  
December 26, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

The management's discussion and analysis of the Clear Fork Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities increased \$876,543 which represents an 11.07% increase from 2007.
- General revenues accounted for \$13,414,954 in revenue or 81.45% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$3,054,255 or 18.55% of total revenues of \$16,469,209.
- The District had \$15,592,666 in expenses related to governmental activities; only \$3,054,255 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 \$13,414,954 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$13,858,992 in revenues and \$12,967,752 in expenditures and other financing uses. The general fund had an increase in the reserve for inventory for 2008 of \$6,812. During fiscal year 2008, the general fund's fund balance increased \$898,052 from \$3,816,953 to \$4,715,005.

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

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

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

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

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

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

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

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

***Fund Financial Statements***

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

***Governmental Funds***

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

***Proprietary Funds***

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

*Notes to the Basic Financial Statements*

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

**The District as a Whole**

The District restated beginning net assets as described in Note 3.B. 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 2008 and 2007.

	<b>Net Assets</b>	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 12,336,803	\$ 11,251,481
Capital assets, net	<u>9,342,575</u>	<u>9,575,932</u>
Total assets	<u>21,679,378</u>	<u>20,827,413</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,989,352	4,768,485
Long-term liabilities	<u>7,897,057</u>	<u>8,142,502</u>
Total liabilities	<u>12,886,409</u>	<u>12,910,987</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	2,639,065	3,100,988
Restricted	1,063,101	1,227,012
Unrestricted	<u>5,090,803</u>	<u>3,588,426</u>
Total net assets	<u>\$ 8,792,969</u>	<u>\$ 7,916,426</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$8,792,969.

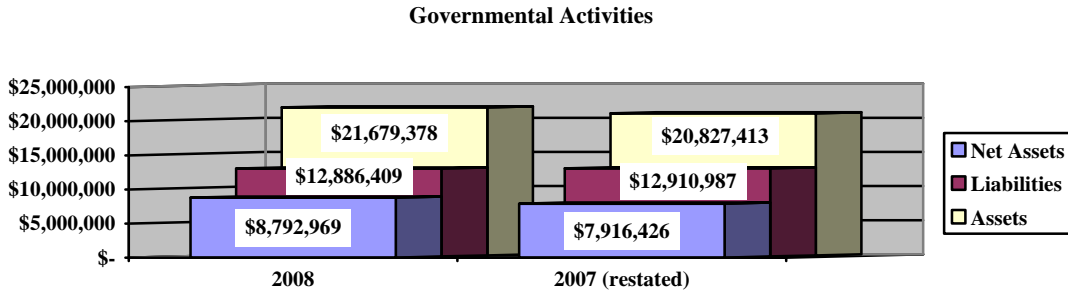
At year-end, capital assets represented 43.09% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$2,639,065. These capital assets are used 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

A portion of the District's net assets, \$1,063,101, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$5,090,803 may be used to meet the District's ongoing obligations to the students and creditors.

The table below illustrates the District's assets, liabilities and net assets at June 30, 2008 and 2007:



The table below shows the change in net assets for fiscal year 2008 and 2007.

	<b>Change in Net Assets</b>	
	Governmental Activities 2008	Restated Governmental Activities 2007
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,198,475	\$ 1,105,739
Operating grants and contributions	1,848,279	1,647,710
Capital grants and contributions	7,501	12,762
General revenues:		
Property taxes	4,713,799	4,872,395
Grants and entitlements	8,315,608	8,151,210
Investment earnings	354,277	329,847
Other	31,270	16,450
Total revenues	16,469,209	16,136,113

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Change in Net Assets**

	Governmental Activities <u>2008</u>	Restated Governmental Activities <u>2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 6,227,860	\$ 5,971,880
Special	1,363,092	1,298,408
Vocational	161,299	146,313
Other	659,105	646,372
Support services:		
Pupil	566,210	605,414
Instructional staff	717,442	630,178
Board of education	82,455	50,597
Administration	871,548	782,952
Fiscal	309,759	265,738
Operations and maintenance	1,768,779	1,593,215
Pupil transportation	1,171,306	1,033,225
Central	56,142	50,728
Operation of non-instructional services:		
Food service operations	705,521	738,456
Other non-instructional services	26,706	21,711
Extracurricular activities	484,415	451,344
Interest and fiscal charges	<u>421,027</u>	<u>403,527</u>
Total expenses	<u>15,592,666</u>	<u>14,690,058</u>
Change in net assets	876,543	1,446,055
Net assets at beginning of year (restated)	<u>7,916,426</u>	<u>6,470,371</u>
Net assets at end of year	<u>\$ 8,792,969</u>	<u>\$ 7,916,426</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$876,543. Total governmental expenses of \$15,592,666 were offset by program revenues of \$3,054,255 and general revenues of \$13,414,954. Program revenues supported 19.59% 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 79.11% of total governmental revenue. Real estate property is reappraised every six years.

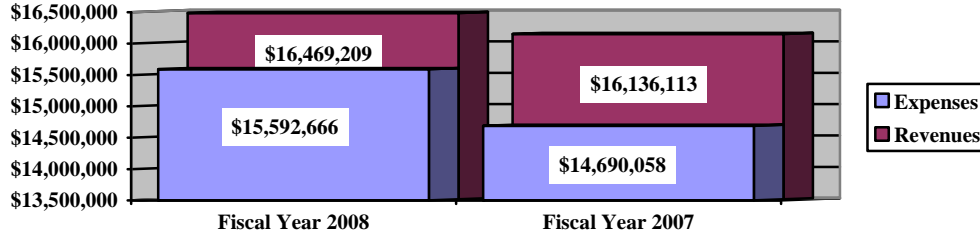
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,411,356 or 53.94% of total governmental expenses for fiscal year 2008.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

**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>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 6,227,860	\$ 5,615,897	\$ 5,971,880	\$ 5,446,365
Special	1,363,092	486,557	1,298,408	411,851
Vocational	161,299	109,881	146,313	89,350
Other	659,105	659,105	646,372	646,372
Support services:				
Pupil	566,210	422,058	605,414	517,520
Instructional staff	717,442	481,461	630,178	508,526
Board of education	82,455	76,395	50,597	50,597
Administration	871,548	865,195	782,952	776,601
Fiscal	309,759	309,759	265,738	265,738
Operations and maintenance	1,768,779	1,759,197	1,593,215	1,582,789
Pupil transportation	1,171,306	975,787	1,033,225	900,103
Central	56,142	44,142	50,728	38,728
Operation of non-instructional services:				
Food service operations	705,521	(43,540)	738,456	(26,691)
Other non-instructional services	26,706	26,706	21,711	21,711
Extracurricular activities	484,415	328,784	451,344	290,760
Interest and fiscal charges	421,027	421,027	403,527	403,527
<b>Total expenses</b>	<u>\$ 15,592,666</u>	<u>\$ 12,538,411</u>	<u>\$ 14,690,058</u>	<u>\$ 11,923,847</u>

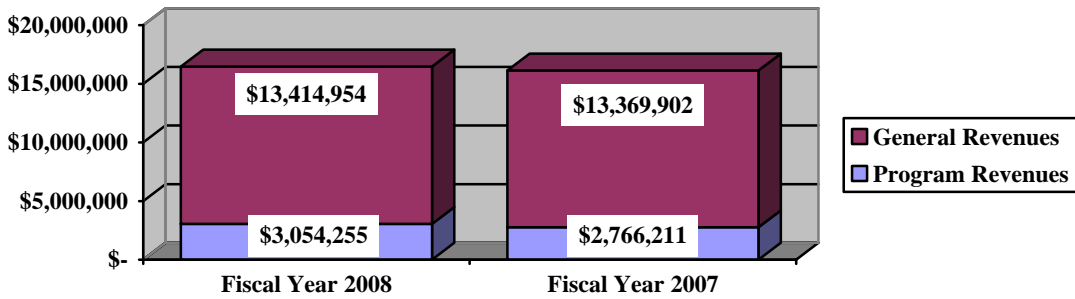
**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 81.69% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.41%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$5,849,310, which is higher than last year's total of \$5,142,739. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	Increase <u>(Decrease)</u>
General	\$ 4,715,005	\$ 3,816,953	\$ 898,052
Other Governmental	<u>1,134,305</u>	<u>1,325,786</u>	<u>(191,481)</u>
Total	<u>\$ 5,849,310</u>	<u>\$ 5,142,739</u>	<u>\$ 706,571</u>

**General Fund**

The District's general fund's fund balance increased by \$898,052. The increase in fund balance can be attributed to the increasing revenues, primarily from tuition and state sources, exceeding the increasing expenditures.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

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

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,984,454	\$ 4,088,524	(2.55) %
Tuition	508,366	383,406	32.59 %
Earnings on investments	313,567	316,240	(0.85) %
Intergovernmental	8,945,699	8,860,903	0.96 %
Other revenues	<u>106,906</u>	<u>81,066</u>	31.88 %
 Total	 <u>\$ 13,858,992</u>	 <u>\$ 13,730,139</u>	 0.94 %
<b><u>Expenditures</u></b>			
Instruction	7,842,685	7,615,900	2.98 %
Support services	4,754,930	4,434,569	7.22 %
Operation of non-instructional services	26,885	23,892	12.53 %
Extracurricular activities	<u>318,252</u>	<u>287,265</u>	10.79 %
 Total	 <u>\$ 12,942,752</u>	 <u>\$ 12,361,626</u>	 4.70 %

Tax revenues decreased 2.55%. This decrease can be attributed to an increase in delinquencies and tax payers splitting their annual payments into first half and second half payments instead of paying the total amount in the first half of the year. Tuition revenue increased 32.59% mainly due to an increase in open enrollment and excess costs for students with disabilities recovered from resident districts. Other revenues increase 31.88% primarily because of increase in building rentals and reimbursements for field trips. Instructional expenditures increased 2.98% which can be attributed to salary increases. Support services increased 7.22% due to salary and fuel increases. All other revenue and expenditure line items shown are deemed immaterial amounts relative to total expenditures or were consistent with 2007 and they do not warrant further analysis.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2008, the District amended its general fund budget several times. For the general fund, original revenues and other financing sources were \$13,519,230. The final budgeted revenues and other financing sources were decreased to \$13,364,111. Actual revenues and other financing sources for fiscal year 2008 was \$13,844,690. This represents a \$480,579 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures and other financing uses) were \$13,333,329 while the final appropriations were \$13,332,777. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$13,086,354, which was \$246,423 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Capital Assets and Debt Administration**

***Capital Assets***

The District restated beginning capital assets as described in Note 3.B. At the end of fiscal year 2008, the District had \$9,342,575 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to 2007:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2008</u>	<u>Restated 2007</u>
Land	\$ 735,639	\$ 735,639
Land improvements	361,070	394,751
Building and improvements	6,893,913	7,147,251
Furniture and equipment	625,177	635,359
Vehicles	<u>726,776</u>	<u>662,932</u>
<b>Total</b>	<b><u>\$ 9,342,575</u></b>	<b><u>\$ 9,575,932</u></b>

Total additions to capital assets for 2008 were \$304,288. Disposals to capital assets for 2008 were \$22,874 (net of accumulated depreciation). Depreciation expense for fiscal year 2008 was \$514,771. Overall, capital assets of the District decreased \$233,357.

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

***Debt Administration***

At June 30, 2008, the District had \$7,191,862 in general obligation bonds outstanding. Of this total, \$315,000 is due within one year and \$6,876,862 is due in greater than one year. The following table summarizes the bonds outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental	Governmental
	<u>Activities 2008</u>	<u>Activities 2007</u>
General obligation bonds	<u>\$ 7,191,862</u>	<u>\$ 7,409,235</u>
<b>Total</b>	<b><u>\$ 7,191,862</u></b>	<b><u>\$ 7,409,235</u></b>

At June 30, 2008, the District's overall legal debt margin was \$10,408,058 with an unvoted debt margin of \$183,079.

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

**Current Financial Related Activities**

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

**Contacting the District's Financial Management**

This financial report is designed to provide our 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, 2008

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 6,066,194
Cash with fiscal agent . . . . .	1,300,456
Cash in segregated accounts. . . . .	447
Receivables:	
Taxes . . . . .	4,572,644
Accounts . . . . .	3,898
Intergovernmental . . . . .	115,990
Accrued interest . . . . .	1,176
Prepayments . . . . .	149,935
Materials and supplies inventory . . . . .	18,611
Unamortized bond issue costs . . . . .	107,452
Capital assets:	
Land . . . . .	735,639
Depreciable capital assets, net . . . . .	8,606,936
Capital assets, net. . . . .	9,342,575
 Total assets. . . . .	 21,679,378
 <b>Liabilities:</b>	
Accounts payable. . . . .	7,259
Accrued wages and benefits . . . . .	940,806
Pension obligation payable. . . . .	334,142
Intergovernmental payable . . . . .	95,272
Unearned revenue . . . . .	3,269,976
Accrued interest payable . . . . .	45,388
Claims payable . . . . .	296,509
Long-term liabilities:	
Due within one year. . . . .	358,297
Due in more than one year. . . . .	7,538,760
 Total liabilities . . . . .	 12,886,409
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	2,639,065
Restricted for:	
Capital projects . . . . .	346,287
Debt service. . . . .	637,478
Locally funded programs . . . . .	628
State funded programs . . . . .	8,193
Federally funded programs . . . . .	43,750
Student activities . . . . .	26,765
Unrestricted. . . . .	5,090,803
 Total net assets . . . . .	 \$ 8,792,969

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, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 6,227,860	\$ 534,022	\$ 77,941	\$ -	\$ (5,615,897)
Special . . . . .	1,363,092	41,778	834,757	-	(486,557)
Vocational . . . . .	161,299	-	51,418	-	(109,881)
Other . . . . .	659,105	-	-	-	(659,105)
Support services:					
Pupil . . . . .	566,210	27,155	116,997	-	(422,058)
Instructional staff . . . . .	717,442	-	235,981	-	(481,461)
Board of education . . . . .	82,455	-	6,060	-	(76,395)
Administration . . . . .	871,548	-	6,353	-	(865,195)
Fiscal . . . . .	309,759	-	-	-	(309,759)
Operations and maintenance . . . . .	1,768,779	9,582	-	-	(1,759,197)
Pupil transportation . . . . .	1,171,306	-	188,018	7,501	(975,787)
Central . . . . .	56,142	-	12,000	-	(44,142)
Operation of non-instructional services:					
Food service operations . . . . .	705,521	435,198	313,863	-	43,540
Other non-instructional services . . . . .	26,706	-	-	-	(26,706)
Extracurricular activities . . . . .	484,415	150,740	4,891	-	(328,784)
Interest and fiscal charges . . . . .	421,027	-	-	-	(421,027)
<b>Total governmental activities . . . . .</b>	<b>\$ 15,592,666</b>	<b>\$ 1,198,475</b>	<b>\$ 1,848,279</b>	<b>\$ 7,501</b>	<b>(12,538,411)</b>

**General Revenue**

Property taxes levied for:

General purposes . . . . .	3,962,064
Debt service . . . . .	465,597
Capital projects . . . . .	286,138
Grants and entitlements not restricted to specific programs . . . . .	8,315,608
Investment earnings . . . . .	354,277
Miscellaneous . . . . .	31,270

Total general revenues . . . . . 13,414,954

Change in net assets . . . . . 876,543

**Net assets at beginning of year (restated) . . . . .** 7,916,426

**Net assets at end of year . . . . .** \$ 8,792,969

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 5,024,972	\$ 1,041,222	\$ 6,066,194
Cash in segregated accounts. . . . .	447	-	447
Receivables:			
Taxes . . . . .	3,850,424	722,220	4,572,644
Accounts . . . . .	3,518	380	3,898
Accrued interest . . . . .	1,176	-	1,176
Intergovernmental . . . . .	41,952	74,038	115,990
Prepayments. . . . .	149,144	791	149,935
Materials and supplies inventory . . . . .	8,560	10,051	18,611
 Total assets . . . . .	 <u>\$ 9,080,193</u>	 <u>\$ 1,848,702</u>	 <u>\$ 10,928,895</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 2,752	\$ 4,507	\$ 7,259
Accrued wages and benefits . . . . .	884,376	56,430	940,806
Compensated absences payable . . . . .	15,128	2,772	17,900
Pension obligation payable . . . . .	306,365	27,777	334,142
Intergovernmental payable . . . . .	89,037	6,235	95,272
Deferred revenue . . . . .	313,952	100,278	414,230
Unearned revenue. . . . .	2,753,578	516,398	3,269,976
 Total liabilities . . . . .	 <u>4,365,188</u>	 <u>714,397</u>	 <u>5,079,585</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	63,636	192,218	255,854
Reserved for materials and supplies inventory . . . . .	8,560	10,051	18,611
Reserved for prepayments. . . . .	149,144	791	149,935
Reserved for debt service . . . . .	-	540,196	540,196
Reserved for property tax revenue unavailable for appropriation. . . . .	783,552	148,602	932,154
Unreserved, undesignated, reported in:			
General fund. . . . .	3,710,113	-	3,710,113
Special revenue funds. . . . .	-	164,917	164,917
Capital projects funds. . . . .	-	77,530	77,530
 Total fund balances . . . . .	 <u>4,715,005</u>	 <u>1,134,305</u>	 <u>5,849,310</u>
 Total liabilities and fund balances. . . . .	 <u>\$ 9,080,193</u>	 <u>\$ 1,848,702</u>	 <u>\$ 10,928,895</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

<b>Total governmental fund balances</b>		\$	5,849,310
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			9,342,575
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	344,750	
Intergovernmental receivable		69,390	
Accrued interest receivable		90	
Total			414,230
Unamortized deferred charges are not recognized in the funds.			395,600
Unamortized premiums on bond issuances are not recognized in the funds.			(503,052)
Unamortized bond issuance costs are not recognized in the funds.			107,452
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.			1,003,947
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(45,388)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		(579,843)	
General obligation bonds payable		(7,191,862)	
Total			(7,771,705)
<b>Net assets of governmental activities</b>		<b>\$</b>	<b>8,792,969</b>

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, 2008

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 3,984,454	\$ 748,412	\$ 4,732,866
Tuition. . . . .	508,366	-	508,366
Charges for services. . . . .	-	430,804	430,804
Earnings on investments. . . . .	313,567	4,440	318,007
Extracurricular. . . . .	-	177,895	177,895
Classroom materials and fees . . . . .	67,434	-	67,434
Other local revenues. . . . .	39,472	25,937	65,409
Intergovernmental - state . . . . .	8,945,699	144,005	9,089,704
Intergovernmental - federal. . . . .	-	995,436	995,436
Total revenue . . . . .	<u>13,858,992</u>	<u>2,526,929</u>	<u>16,385,921</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	5,877,770	82,750	5,960,520
Special. . . . .	1,147,711	232,210	1,379,921
Vocational. . . . .	157,241	4,058	161,299
Other . . . . .	659,963	-	659,963
Support services:			
Pupil. . . . .	427,570	138,221	565,791
Instructional staff . . . . .	502,657	213,528	716,185
Board of education . . . . .	76,395	6,060	82,455
Administration. . . . .	834,395	25,680	860,075
Fiscal . . . . .	290,829	14,377	305,206
Operations and maintenance. . . . .	1,419,310	355,578	1,774,888
Pupil transportation . . . . .	1,159,632	99,771	1,259,403
Central. . . . .	44,142	12,000	56,142
Operation of non-instructional services:			
Food service operations . . . . .	-	729,754	729,754
Other non-instructional services . . . . .	26,885	-	26,885
Extracurricular activities. . . . .	318,252	164,244	482,496
Facilities acquisition and construction . . . . .	-	44,135	44,135
Debt service:			
Principal retirement . . . . .	-	315,000	315,000
Interest and fiscal charges . . . . .	-	307,654	307,654
Total expenditures . . . . .	<u>12,942,752</u>	<u>2,745,020</u>	<u>15,687,772</u>
Excess of revenues over (under) expenditures . . . . .	<u>916,240</u>	<u>(218,091)</u>	<u>698,149</u>
<b>Other financing sources (uses):</b>			
Transfers in. . . . .	-	25,000	25,000
Transfers (out) . . . . .	(25,000)	-	(25,000)
Total other financing sources (uses). . . . .	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
Net change in fund balances . . . . .	891,240	(193,091)	698,149
<b>Fund balances at beginning of year . . . . .</b>	3,816,953	1,325,786	5,142,739
<b>Increase in reserve for inventory . . . . .</b>	6,812	1,610	8,422
<b>Fund balances at end of year . . . . .</b>	<u>\$ 4,715,005</u>	<u>\$ 1,134,305</u>	<u>\$ 5,849,310</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, 2008

<b>Net change in fund balances - total governmental funds</b>	\$	698,149
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 304,288	
Current year depreciation	(514,771)	
Total		(210,483)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(22,874)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		8,422
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(19,067)	
Intergovernmental revenue	61,645	
Accrued interest	90	
Total		42,668
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.		315,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being reported on the statement of activities:		
Decrease in accrued interest payable	(15,746)	
Accreted interest on "capital appreciation" bonds	(97,627)	
Amortization of bond issue costs	(8,654)	
Amortization of bond premiums	40,514	
Amortization of deferred charges on refundings	(31,860)	
Total		(113,373)
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.		(1,630)
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.		160,664
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>876,543</b>

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, 2008

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,874,191	\$ 3,829,708	\$ 3,966,803	\$ 137,095
Tuition. . . . .	496,497	490,796	508,366	17,570
Earnings on investments. . . . .	306,870	303,347	314,206	10,859
Classroom materials and fees . . . . .	65,860	65,103	67,434	2,331
Other local revenues. . . . .	36,168	35,753	37,033	1,280
Intergovernmental - state . . . . .	8,730,144	8,629,904	8,938,838	308,934
Total revenue . . . . .	<u>13,509,730</u>	<u>13,354,611</u>	<u>13,832,680</u>	<u>478,069</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,949,002	5,948,754	5,842,902	105,852
Special. . . . .	1,198,060	1,198,010	1,176,693	21,317
Vocational. . . . .	159,339	159,332	156,497	2,835
Other. . . . .	658,879	658,852	647,128	11,724
Support services:				
Pupil. . . . .	430,035	430,017	422,365	7,652
Instructional staff . . . . .	509,467	509,446	500,381	9,065
Board of education . . . . .	74,557	74,554	73,227	1,327
Administration. . . . .	839,055	839,021	824,091	14,930
Fiscal . . . . .	294,838	294,826	289,580	5,246
Operations and maintenance. . . . .	1,516,183	1,516,120	1,489,142	26,978
Pupil transportation . . . . .	1,175,181	1,175,132	1,154,222	20,910
Central. . . . .	132,266	132,260	129,907	2,353
Operation of non-instructional services . . . . .	27,260	27,259	26,774	485
Extracurricular activities. . . . .	323,089	323,076	317,327	5,749
Total expenditures . . . . .	<u>13,287,211</u>	<u>13,286,659</u>	<u>13,050,236</u>	<u>236,423</u>
Excess of revenues over expenditures. . . . .	<u>222,519</u>	<u>67,952</u>	<u>782,444</u>	<u>714,492</u>
<b>Other financing sources (uses):</b>				
Transfers (out). . . . .	(35,000)	(35,000)	(25,000)	10,000
Refund of prior year expenditure . . . . .	7,500	7,500	10,136	2,636
Refund of prior year receipt . . . . .	(11,118)	(11,118)	(11,118)	-
Sale of capital assets . . . . .	2,000	2,000	1,874	(126)
Total other financing sources (uses) . . . . .	<u>(36,618)</u>	<u>(36,618)</u>	<u>(24,108)</u>	<u>12,510</u>
Net change in fund balance . . . . .	185,901	31,334	758,336	727,002
<b>Fund balance at beginning of year. . . . .</b>	4,197,520	4,197,520	4,197,520	-
<b>Prior year encumbrances appropriated . . . . .</b>	2,895	2,895	2,895	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 4,386,316</u>	<u>\$ 4,231,749</u>	<u>\$ 4,958,751</u>	<u>\$ 727,002</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, 2008

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Cash with fiscal agent . . . . .	\$ 1,300,456
Total assets . . . . .	1,300,456
<b>Liabilities:</b>	
Claims payable . . . . .	296,509
Total liabilities . . . . .	296,509
<b>Net assets:</b>	
Unrestricted. . . . .	1,003,947
Total net assets . . . . .	\$ 1,003,947

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, 2008

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 2,214,007
Total operating revenues . . . . .	<u>2,214,007</u>
<b>Operating expenses:</b>	
Fringe benefits. . . . .	12,658
Claims. . . . .	2,081,305
Total operating expenses . . . . .	<u>2,093,963</u>
Operating income . . . . .	<u>120,044</u>
<b>Nonoperating revenues:</b>	
Interest revenue. . . . .	<u>40,620</u>
Total nonoperating revenues . . . . .	<u>40,620</u>
Change in net assets. . . . .	160,664
<b>Net assets at beginning of year . . . . .</b>	<u>843,283</u>
<b>Net assets at end of year . . . . .</b>	<u><u>\$ 1,003,947</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, 2008

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 2,214,007
Cash payments for fringe benefits. . . . .	(12,658)
Cash payments for claims. . . . .	<u>(1,988,510)</u>
Net cash provided by operating activities . . . . .	<u>212,839</u>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	<u>40,620</u>
Net cash provided by investing activities . . . . .	<u>40,620</u>
Net increase in cash and cash equivalents . . . . .	253,459
<b>Cash and cash equivalents at beginning of year. . .</b>	<u>1,046,997</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 1,300,456</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income. . . . .	\$ 120,044
Changes in assets and liabilities:	
Increase in claims payable . . . . .	<u>92,795</u>
Net cash provided by operating activities . . . . .	<u><u>\$ 212,839</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, 2008

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 26,013	\$ 123,612
Total assets . . . . .	26,013	\$ 123,612
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 123,612
Total liabilities . . . . .	-	\$ 123,612
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	26,013	
Total net assets . . . . .	\$ 26,013	

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, 2008

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 1,013
Total additions. . . . .	1,013
<b>Deductions:</b>	
Scholarships awarded . . . . .	1,379
Change in net assets . . . . .	(366)
<b>Net assets at beginning of year . . . . .</b>	<b>26,379</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 26,013</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, 2008**

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

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

The District was established in 1963 through the consolidation of existing land areas and school districts. The District serves an area of approximately 108 square miles. It is located in Richland and Knox Counties, and includes the Villages of Bellville and Butler and portions of Jefferson, Worthington, Washington and Perry Townships in Richland County and portions of Pike and Brown Townships in Knox County.

The District is the 298<sup>th</sup> largest in the State of Ohio (out of approximately 896 public school districts and community schools) in terms of enrollment. It is staffed by 74 non-certified employees and 117 certified full-time teaching personnel who provide services to 1,846 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 and student related activities of the District.

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

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

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2008, the District paid \$141,957 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Knox County Career Center

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

*INSURANCE PURCHASING POOL*

Ohio Mid-Eastern Regional Educational Services Agency

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

*PROPRIETARY FUND*

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

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

*FIDUCIARY FUNDS*

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair market value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except Agency). The specific timetable for fiscal year 2008 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The 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 certificates of estimated resources issued for fiscal year 2008.
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, 2008**

**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, 2008. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2008, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund, the food service special revenue fund, the 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 2008 amounted to \$313,567, which includes \$96,123 assigned from other District funds.

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

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

**G. Inventory**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

**H. Capital Assets**

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

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

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets. There were no interfund loans receivable/payable at June 30, 2008.

**J. Compensated Absences**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 20 years of current service with the District, or 15 years of service and 45 years of age, or 5 years of service and 50 of age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

**M. Fund Balance Reserves**

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

**N. Operating Revenues and Expenses**

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

**O. Net Assets**

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

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

**P. Prepayments**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**Q. Estimates**

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

**R. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**B. Restatement of Net Assets**

The District's net assets have been restated to reflect a reappraisal of the District's capital assets. The reappraisal of the District's capital assets had the following effect on net assets as previously reported by the governmental activities:

	Governmental Activities
Net assets, June 30, 2007	\$ 8,199,322
Adjustment for capital assets reappraisal	(282,896)
Restated net assets, June 30, 2007	\$ 7,916,426

See Note 8 for the effect of the change on capital assets balances as previously reported by the District at June 30, 2007.

**C. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Vocational educational enhancements	\$ 58
Title VI-B	2,379
Title I	6,707
Miscellaneous federal grants	29

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**A. Cash on Hand**

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

**B. Cash in Segregated Accounts**

At fiscal year-end, the District had \$447 in depository accounts for petty cash bank accounts related to support of athletic events. These depository accounts are held outside of the District’s internal investment pool. The balance in these depository accounts are not included in the amount of “deposits” reported below.

**C. Cash with Fiscal Agent**

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2008 was \$1,300,456. This amount is not included in the “deposits” or “investments” reported below.

**D. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$6,186,737. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2008, \$6,148,540 of the District’s bank balance of \$6,348,540 was exposed to custodial risk as discussed below, while \$200,000 was covered by the 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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**E. Investments**

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 29,052	\$ 29,052
Total	<u>\$ 29,052</u>	<u>\$ 29,052</u>

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 29,052	100.00
Total	<u>\$ 29,052</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,186,737
Investments	29,052
Cash on hand	30
Cash in segregated account	447
Cash with fiscal agent	<u>1,300,456</u>
Total	<u>\$ 7,516,722</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,367,097
Private-purpose trust fund	26,013
Agency funds	<u>123,612</u>
Total	<u>\$ 7,516,722</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

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

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

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

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2008, are available to finance fiscal year 2008 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, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$783,552 in the general fund, \$92,698 in the debt service fund (a nonmajor governmental fund) and \$55,904 in the permanent improvement fund (a nonmajor governmental fund). This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$733,044 in the general fund, \$67,009 in the debt service fund (a nonmajor governmental fund) and \$48,471 in the permanent improvement fund (a nonmajor governmental fund).

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 168,687,620	90.14	\$ 171,453,260	92.31
Public utility personal	12,798,890	6.84	11,625,510	6.26
Tangible personal property	<u>5,645,064</u>	<u>3.02</u>	<u>2,661,150</u>	<u>1.43</u>
Total	<u>\$ 187,131,574</u>	<u>100.00</u>	<u>\$ 185,739,920</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$47.65		\$54.25	



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008 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	\$	4,572,644
Accounts		3,898
Accrued interest		1,176
Intergovernmental		<u>115,990</u>
 Total	 \$	 <u><u>4,693,708</u></u>

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

**NOTE 8 - CAPITAL ASSETS**

Capital assets of the governmental activities have been restated due to a reappraisal of the District's capital assets. The reappraisal had the following effect on the governmental activities capital asset balances as previously reported:

	Balance <u>June 30, 2007</u>	<u>Adjustment</u>	Restated Balance <u>June 30, 2007</u>
<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>			
Land improvements	-	1,010,485	1,010,485
Buildings and improvements	12,335,688	367,812	12,703,500
Furniture and equipment	2,117,602	(276,343)	1,841,259
Vehicles	<u>2,121,137</u>	<u>(277,666)</u>	<u>1,843,471</u>
Total capital assets, being depreciated	<u>16,574,427</u>	<u>824,288</u>	<u>17,398,715</u>
<i>Less: accumulated depreciation</i>			
Land improvements	-	(615,734)	(615,734)
Buildings and improvements	(4,792,956)	(763,293)	(5,556,249)
Furniture and equipment	(1,386,252)	180,352	(1,205,900)
Vehicles	<u>(1,272,030)</u>	<u>91,491</u>	<u>(1,180,539)</u>
Total accumulated depreciation	<u>(7,451,238)</u>	<u>(1,107,184)</u>	<u>(8,558,422)</u>
 Total capital assets, being depreciated	 <u>9,123,189</u>	 <u>(282,896)</u>	 <u>8,840,293</u>
Governmental activities capital assets, net	<u>\$ 9,858,828</u>	<u>\$ (282,896)</u>	<u>\$ 9,575,932</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Restated Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2008</u>
<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>				
Land improvements	1,010,485	-	-	1,010,485
Building and improvements	12,703,500	-	-	12,703,500
Furniture and equipment	1,841,259	89,741	-	1,931,000
Vehicles	<u>1,843,471</u>	<u>214,547</u>	<u>(225,499)</u>	<u>1,832,519</u>
Total capital assets, being depreciated	<u>17,398,715</u>	<u>304,288</u>	<u>(225,499)</u>	<u>17,477,504</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(615,734)	(33,681)	-	(649,415)
Building and improvements	(5,556,249)	(253,338)	-	(5,809,587)
Furniture and equipment	(1,205,900)	(99,923)	-	(1,305,823)
Vehicles	<u>(1,180,539)</u>	<u>(127,829)</u>	<u>202,625</u>	<u>(1,105,743)</u>
Total accumulated depreciation	<u>(8,558,422)</u>	<u>(514,771)</u>	<u>202,625</u>	<u>(8,870,568)</u>
Governmental activities capital assets, net	<u>\$ 9,575,932</u>	<u>\$ (210,483)</u>	<u>\$ (22,874)</u>	<u>\$ 9,342,575</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 333,046
<u>Support services:</u>	
Instructional staff	6,003
Administration	16,711
Fiscal	6,298
Operations and maintenance	11,981
Pupil transportation	115,683
Extracurricular activities	7,980
Food service operations	<u>17,069</u>
Total depreciation expense	<u>\$ 514,771</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding June 30, 2007	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding June 30, 2008	Amounts Due in One Year
General obligation bonds	\$ 7,409,235	\$ 97,627	\$ (315,000)	\$ 7,191,862	\$ 315,000
Compensated absences	<u>617,161</u>	<u>84,010</u>	<u>(103,428)</u>	<u>597,743</u>	<u>43,297</u>
Total governmental activities	<u>\$ 8,026,396</u>	<u>\$ 181,637</u>	<u>\$ (418,428)</u>	7,789,605	<u>\$ 358,297</u>
Less: Unamortized deferred charge on refunding				(395,600)	
Add: Unamortized premium on refunding				<u>503,052</u>	
Total on statement of net assets				<u>\$ 7,897,057</u>	

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

- B. *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. The remaining outstanding bonds were retired in fiscal year 2008.

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

This issue is comprised of both current interest bonds, par value \$7,610,000, and capital appreciation bonds, par value \$153,510. 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 accreted value at maturity for capital appreciation bonds is \$3,230,000. Total accreted interest of \$400,235 has been included in the statement of net assets at June 30, 2008.

During 2005, a portion of the current interest bonds were refunded. The remaining balance of \$260,000 has a final maturity date of December 1, 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Series 2005 Refunding General Obligation Bonds

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

The refunding issue is comprised of both current interest bonds, par value \$6,460,000, and capital appreciation bonds, par value \$85,000. The average interest rate on the current interest bonds is 4.375%. The capital appreciation bonds mature on December 1, 2010 (effective interest 43.37%), December 1, 2011 (effective interest 34.14%), December 1, 2012 (effective interest 31.12%) and December 1, 2014 (effective interest 21.22%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for capital appreciation bonds is \$615,000. Total accreted interest of \$88,117 has been included in the statement of net assets at June 30, 2008.

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

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

	Balance			Balance
	<u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2008</u>
Series 1997 A, current interest bonds	\$ 25,000	\$ -	\$ (25,000)	\$ -
Series 1998, current interest bonds	500,000	-	(240,000)	260,000
Series 1998, capital appreciation bonds	153,510	-	-	153,510
Series 1998, capital appreciation bonds accreted interest	338,627	61,608	-	400,235
Series 2005, current interest bonds	6,255,000	-	(50,000)	6,205,000
Series 2005, capital appreciation bonds	85,000	-	-	85,000
Series 2005, capital appreciation bonds accreted interest	<u>52,098</u>	<u>36,019</u>	<u>-</u>	<u>88,117</u>
Total general obligation bonds	<u>\$ 7,409,235</u>	<u>\$ 97,627</u>	<u>\$ (315,000)</u>	<u>\$ 7,191,862</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 315,000	\$ 284,850	\$ 599,850	\$ -	\$ -	\$ -
2010	345,000	285,700	630,700	-	-	-
2011	345,000	265,000	610,000	5,000	40,000	45,000
2012	370,000	244,300	614,300	5,000	35,000	40,000
2013	420,000	222,100	642,100	5,000	40,000	45,000
2014 - 2018	2,300,000	793,100	3,093,100	70,000	415,000	485,000
2019 - 2023	2,245,000	220,031	2,465,031	84,417	1,500,583	1,585,000
2024 - 2025	125,000	7,631	132,631	69,093	1,575,907	1,645,000
Total	<u>\$ 6,465,000</u>	<u>\$ 2,322,712</u>	<u>\$ 8,787,712</u>	<u>\$ 238,510</u>	<u>\$ 3,606,490</u>	<u>\$ 3,845,000</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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$10,408,058 (including available funds of \$632,894) and an unvoted debt margin of \$183,079.

**NOTE 10 - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for all certified employees and up to 250 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit, to a maximum of 55 days for both classified and certified employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**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 Netherlands		
Each occurrence	Insurance	\$ 1,000,000	\$ 0
Aggregate	Company	2,000,000	0
Property/building and contents	The Netherlands	42,611,536	5,000
	Insurance Company		
Fleet:			
Comprehensive	The Netherlands	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 2000 and December 2007, the District was not eligible to participate in a group-rating program for the 2008 rate year. Sheakley Uniservice, Inc. provides the District with administrative functions, cost control and actuarial services.

**C. Life Insurance**

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

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

Medical/surgical, dental and vision insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of 74 school districts within the State, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$296,509 reported in the internal service fund at June 30, 2008 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Changes in claims activity for the past two fiscal years are as follows:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2008	\$ 203,714	\$ 2,081,305	\$ (1,988,510)	\$ 296,509
2007	202,641	1,776,591	(1,775,518)	203,714

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$177,956, \$190,349 and \$198,695, respectively; 44.12 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$772,271, \$745,117 and \$720,580, respectively; 81.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$119 made by the District and \$19,722 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$119,145, \$99,705 and \$77,335, respectively; 44.12 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$12,822, \$12,944 and \$15,815, respectively; 44.12 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$59,405, \$57,317 and \$55,429, respectively; 81.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**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	\$ 758,336
Net adjustment for revenue accruals	26,312
Net adjustment for expenditure accruals	41,263
Net adjustment for other sources/uses	(892)
Adjustment for encumbrances	<u>66,221</u>
GAAP basis	<u>\$ 891,240</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**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, 2008, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2007	\$ (376,458)	\$ (331,234)
Current year set-aside requirement	288,261	288,261
Current year offsets	-	(280,823)
Qualifying disbursements	<u>(363,252)</u>	<u>-</u>
Total	<u>\$ (451,449)</u>	<u>\$ (323,796)</u>
Balance carried forward to FY 2009	<u>\$ (451,449)</u>	<u>\$ (323,796)</u>

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

## **SUPPLEMENTARY DATA**

**CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
(C) Food Donation	10.550	2008	\$ 80,266	\$ 80,266
<b>Total Food Donation</b>			<u>80,266</u>	<u>80,266</u>
<i>Nutrition Cluster:</i>				
(D) (E) School Breakfast Program	10.553	2007	7,795	7,795
(D) (E) School Breakfast Program	10.553	2008	42,455	42,455
<b>Total School Breakfast Program</b>			<u>50,250</u>	<u>50,250</u>
(D) (E) National School Lunch Program	10.555	2007	30,320	30,320
(D) (E) National School Lunch Program	10.555	2008	219,765	219,765
<b>Total National School Lunch Program</b>			<u>250,085</u>	<u>250,085</u>
<i>Total Nutrition Cluster</i>			<u>300,335</u>	<u>300,335</u>
<b>Total U.S. Department of Agriculture</b>			<u>380,601</u>	<u>380,601</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
Title I Grants to Local Educational Agencies	84.010	2008	176,973	176,847
<b>Total Title I Grants to Local Educational Agencies</b>			<u>176,973</u>	<u>176,847</u>
Special Education_Grants to States	84.027	2008	417,538	417,538
<b>Total Special Education Grants to States</b>			<u>417,538</u>	<u>417,538</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2008	6,060	6,060
<b>Total Safe and Drug-Free Schools and Communities State Grants</b>			<u>6,060</u>	<u>6,060</u>
State Grants for Innovative Programs	84.298	2008	3,995	3,995
<b>Total State Grants for Innovative Programs</b>			<u>3,995</u>	<u>3,995</u>
Education Technology State Grants	84.318	2008	2,009	2,009
<b>Total Education Technology State Grants</b>			<u>2,009</u>	<u>2,009</u>
Improving Teacher Quality State Grants	84.367	2008	56,254	56,230
<b>Total Improving Teacher Quality State Grants</b>			<u>56,254</u>	<u>56,230</u>
<b>Total U.S. Department of Education</b>			<u>662,829</u>	<u>662,679</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,043,430</u>	<u>\$ 1,043,280</u>

- (A) OAKS did not assign pass-through numbers for fiscal year 2008  
 (B) This schedule was prepared on the cash basis of accounting.  
 (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the fair market value  
 (D) Included as part of "Nutrition Grant Cluster" in determining major programs  
 (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.



**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 fund, and the aggregate remaining fund information of Clear Fork Valley Local School District as of and for the fiscal year ended June 30, 2008, which collectively comprise Clear Fork Valley Local School District's basic financial statements and have issued our report thereon dated December 26, 2008. 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 Clear Fork Valley Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clear Fork Valley Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Clear Fork Valley Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Clear Fork Valley Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Clear Fork Valley Local School District's financial statements that is more than inconsequential will not be prevented or detected by Clear Fork Valley Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Clear Fork Valley Local School District's internal control.

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

Board of Education  
Clear Fork Valley Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clear Fork Valley Local School 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 the management and Board of Education of Clear Fork Valley Local School District and 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.  
December 26, 2008



**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 Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

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

Compliance

We have audited the compliance of Clear Fork Valley Local School 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, 2008. Clear Fork Valley Local School 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 Clear Fork Valley Local School District's management. Our responsibility is to express an opinion on Clear Fork Valley Local School 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 Clear Fork Valley Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Clear Fork Valley Local School District's compliance with those requirements.

In our opinion, Clear Fork Valley Local School 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, 2008.



Board of Education  
Clear Fork Valley Local School District

Internal Control Over Compliance

The management of Clear Fork Valley Local School 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 Clear Fork Valley Local School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clear Fork Valley Local School District's internal control over compliance.

A control deficiency in Clear Fork Valley Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Clear Fork Valley Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Clear Fork Valley Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Clear Fork Valley Local School District's internal control.

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

This report is intended solely for the information and use of management and Board of Education of Clear Fork Valley Local School District and 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.  
December 26, 2008

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Nutrition Cluster: School Breakfast Program - CFDA #10.553; National School Lunch Program - CFDA #10.555
<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

**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



**Mary Taylor, CPA**  
Auditor of State

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

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**MARCH 10, 2009**