

**CLOVERLEAF LOCAL SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2003**





**Auditor of State  
Betty Montgomery**

Board of Education  
Cloverleaf Local School District  
8525 Friendsville Road  
Lodi, Ohio 44254

We have reviewed the Independent Auditor's Report of the Cloverleaf Local School District, Medina County, prepared by Rea & Associates, Inc., for the audit period July 1, 2002 to June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

February 13, 2004

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***Cloverleaf Local School District***  
Basic Financial Statements  
Fiscal Year Ended June 30, 2003

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 11, 2003

The Board of Education  
Cloverleaf Local School District  
Lodi, Ohio 44254

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cloverleaf Local School District, as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cloverleaf Local School District as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the 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 a report dated December 11, 2003, on our consideration of Cloverleaf Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 3, during the year ended June 30, 2003, the School District implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments*.

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

*Rea & Associates, Inc.*

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## ***Cloverleaf Local School District***

Management's Discussion and Analysis

For the fiscal year ended June 30, 2003

Unaudited

This discussion and analysis of Cloverleaf Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Since this is the first year of financial presentation under Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", some analyses with prior year data is not available. Future Management Discussion and Analyses will be comparative.

### **Financial Highlights**

Key financial highlights for 2003 are as follows:

- Net assets of governmental activities decreased \$710,543, representing a 9% decrease from fiscal year 2002.
- General revenues accounted for \$22,515,009 in revenue or 89% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$2,886,805, or 11% of total revenues of \$25,401,814.
- Capital assets, net of depreciation, increased \$245,768 over the prior fiscal year. The most significant increase was from improvements to the School Districts buildings and the purchase of five new buses. Total capital asset additions of \$1,005,206 was offset by current year disposals and depreciation expense.
- The School District had \$26,112,357 in expenses related to governmental activities; only \$2,886,805 of these expenses was offset by program specific charges for services, operating and capital grants, contributions and interest. General revenues of \$22,515,009 contributed to support these programs.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Cloverleaf Local School 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 School District, presenting both an aggregate view of the School 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 present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Cloverleaf Local School District, the general fund is by far the most significant fund.

***Cloverleaf Local School District***  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2003  
Unaudited

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole the financial position of the School 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 School District's current 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 School Districts' activities are considered to be all Governmental Activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and food service operations.

The government-wide financial statements begin on page 14.

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

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

***Governmental Funds*** Most of the School 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 statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps 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 financial statements.

## ***Cloverleaf Local School District***

Management's Discussion and Analysis

For the fiscal year ended June 30, 2003

Unaudited

Information presented separately in the governmental fund balance sheet and in the governmental fund state of revenues, expenditures, and changes in fund balance for the general fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The governmental fund financial statements begin on page 20.

***Fiduciary Funds*** These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund financial statements begin on page 21.

***Notes to the 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. The notes to the financial statements begin on page 23.

### **The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

*Table 1*  
*Net Assets*

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
<b><i>Assets</i></b>		
<i>Current and other assets</i>	\$ 13,098,306	\$ 13,133,027
<i>Capital assets, net of depreciation</i>	9,409,735	9,163,967
<i>Total assets</i>	<u>22,508,041</u>	<u>22,296,994</u>
<b><i>Liabilities</i></b>		
<i>Other liabilities</i>	13,440,313	12,511,995
<i>Long-term liabilities</i>	1,475,000	1,481,728
<i>Total liabilities</i>	<u>14,915,313</u>	<u>13,993,723</u>
<b><i>Net Assets</i></b>		
<i>Invested in capital assets, net of debt</i>	9,326,017	8,991,887
<i>Restricted</i>	608,259	955,952
<i>Unrestricted</i>	(2,341,548)	(1,644,568)
<i>Total net assets</i>	<u>\$ 7,592,728</u>	<u>\$ 8,303,271</u>

A combination of reduced cash balances and an increase in accrued wages are the most significant causes to the overall decrease in net assets. Prior year cash balances were required to be expended in the current year due to insufficient revenues to cover the current year's operations. The increase in accrued wages was a result of the new employee economic package approved for fiscal year 2003.

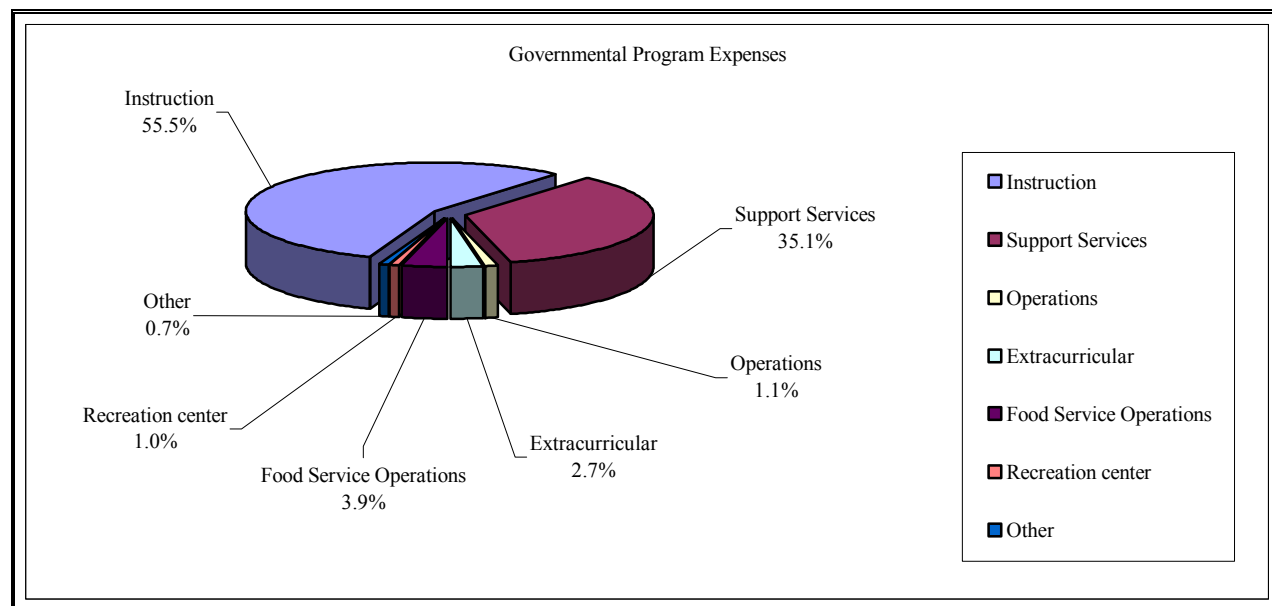
***Cloverleaf Local School District***  
Management's Discussion and Analysis  
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Unaudited

Table 2 shows changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years a comparative analysis of government-wide data will be presented.

*Table 2*  
*Changes in Net Assets*

	<u>Governmental Activities</u>
<b><i>Revenues</i></b>	
<i>Program revenues:</i>	
<i>Charges for services</i>	\$ 1,366,943
<i>Operating grants, contributions and interest</i>	1,434,359
<i>Capital grants and contributions and interest</i>	85,503
<i>General revenues:</i>	
<i>Property taxes</i>	9,645,448
<i>Grants and entitlements</i>	12,747,900
<i>Investment earnings</i>	44,952
<i>Miscellaneous</i>	76,709
<i>Total revenues</i>	<u>25,401,814</u>
<b><i>Program Expenses</i></b>	
<i>Instruction:</i>	
<i>Regular</i>	11,970,281
<i>Special</i>	1,856,759
<i>Vocational</i>	207,235
<i>Other</i>	448,118
<i>Support services:</i>	
<i>Pupil</i>	1,354,508
<i>Instructional staff</i>	1,140,618
<i>Board of education</i>	22,506
<i>Administration</i>	1,765,001
<i>Fiscal</i>	347,830
<i>Business</i>	330,457
<i>Operation and maintenance of plant</i>	2,508,751
<i>Pupil transportation</i>	1,604,814
<i>Central</i>	79,033
<i>Operation non-instructional services</i>	294,488
<i>Extracurricular activities</i>	714,298
<i>Recreation center operations</i>	254,424
<i>Food service operations</i>	1,008,935
<i>Interest and fiscal charges</i>	13,789
<i>Loss on disposal of capital assets</i>	190,512
<i>Total expenses</i>	<u>26,112,357</u>
 <i>Decrease in Net Assets</i>	 <u>\$ (710,543)</u>

***Cloverleaf Local School District***  
 Management's Discussion and Analysis  
 For the fiscal year ended June 30, 2003  
 Unaudited



***Governmental Activities***

Cloverleaf Local School District depends on both property taxes and State funding.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over 9.6 million in 2003. General revenues from grants and entitlements, such as the school foundation program, generated over \$12.7 million. Due to the combination of taxes and intergovernmental funding representing over 88% of all revenues, the School District monitors both of these sources very closely for fluctuations.

A review of Table 2 reflects the total cost of instructional services was \$14,482,393, or about 55% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. Pupil services and instructional support include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$2,495,126, or about 10% of the total governmental program expenses.

Board of education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$2,465,794, or about 9% of governmental program expenses.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$2,508,751, or about 10% of the governmental program expenses.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$1,604,814, or 6% of the total governmental program expenditures.

***Cloverleaf Local School District***

Management's Discussion and Analysis

For the fiscal year ended June 30, 2003

Unaudited

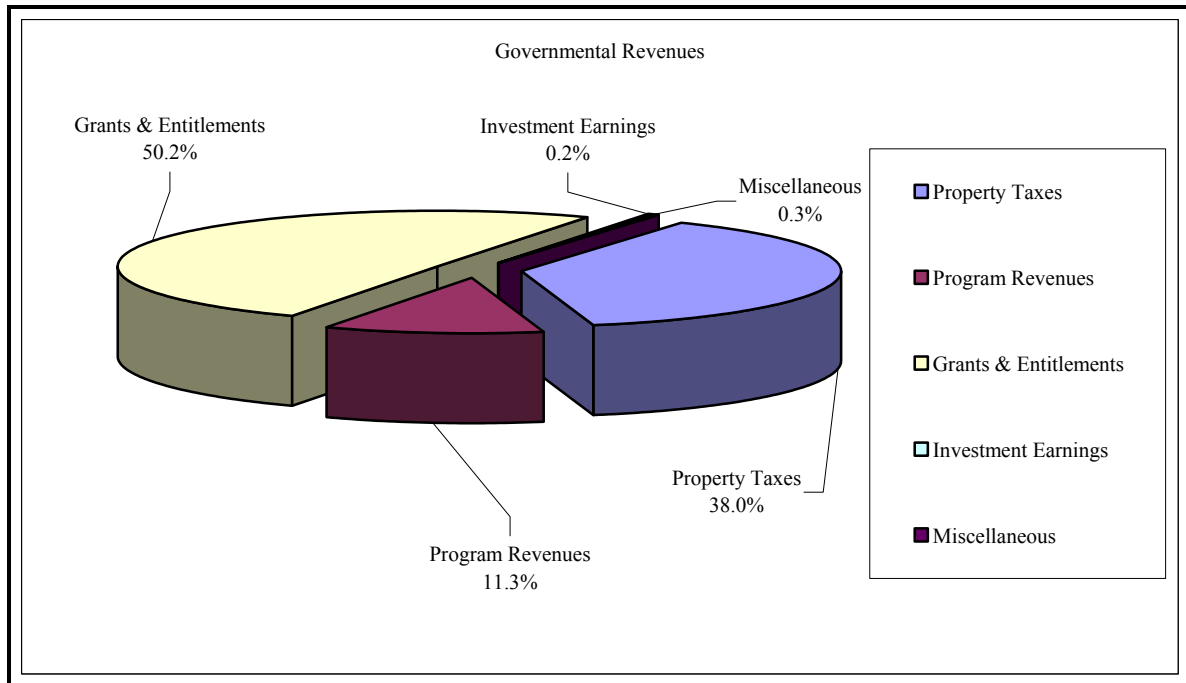
Overall, the School District's net assets decreased by \$710,543 during the fiscal year. This decrease is primarily attributed to insufficient revenues to cover the operational costs of the School District during the current fiscal year. Tuition costs increased by 40% or \$199,712 from the previous fiscal year. Salary and benefit costs also increased but supply, equipment and other expenditures were reduced to help offset increased expenses to the School District.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government 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, unrestricted State entitlements and other general revenues. Comparisons to fiscal year 2002 are not available due to fiscal year 2003 being the initial year of implementation of GASB Statement No. 34.

*Table 3*  
*Governmental Activities*

	<u>Total Cost</u> <u>of Services</u> <u>2003</u>	<u>Net Cost</u> <u>of Services</u> <u>2003</u>
<b><i>Program Expenses</i></b>		
<i>Instruction:</i>		
<i>Regular</i>	\$ 11,970,281	\$ (11,840,597)
<i>Special</i>	1,856,759	(1,071,448)
<i>Vocational</i>	207,235	(193,235)
<i>Other</i>	448,118	(448,118)
<i>Support services:</i>		
<i>Pupil</i>	1,354,508	(1,255,805)
<i>Instructional staff</i>	1,140,618	(1,100,059)
<i>Board of education</i>	22,506	(22,506)
<i>Administration</i>	1,765,001	(1,762,747)
<i>Fiscal</i>	347,830	(344,615)
<i>Business</i>	330,457	(305,124)
<i>Operation and maintenance of plant</i>	2,508,751	(2,340,764)
<i>Pupil transportation</i>	1,604,814	(1,604,814)
<i>Central</i>	79,033	(41,314)
<i>Operation non-instructional services</i>	294,488	(140,332)
<i>Extracurricular activities</i>	714,298	(478,422)
<i>Recreation center operations</i>	254,424	(17,953)
<i>Food service operations</i>	1,008,935	(53,398)
<i>Interest and fiscal charges</i>	13,789	(13,789)
<i>Loss on disposal of capital assets</i>	190,512	(190,512)
<i>Total expenses</i>	<u>\$ 26,112,357</u>	<u>\$ (23,225,552)</u>

***Cloverleaf Local School District***  
 Management's Discussion and Analysis  
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Program Revenues include charges for services, grants, contributions and interest that are program specific. Surrounding schools whose resident students are educated by the Cloverleaf Local School District pay the School District \$5,329 per pupil under Ohio's open enrollment entitlement.

Property taxes made up 38% of total revenues for governmental activities for the Cloverleaf Local Schools in fiscal year 2003. Program Revenues for governmental activities provided over 11% of governmental revenues with about 89% of all governmental activities supported through property taxes, grants and entitlement, and other general revenues. About 50% of revenues were provided by the grants and entitlements portion of general revenues includes monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$25,264,122 and total expenditures were \$26,229,912. The net change in fund balance was significant in the general fund with a decrease of \$669,046. This decrease is attributed to salary, benefit and tuition cost increases as previously mentioned combined with the insufficient revenues to compensate for the increased costs to the School District.

***General Fund Budgeting Highlights***

The School 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.

## ***Cloverleaf Local School District***

Management's Discussion and Analysis

For the fiscal year ended June 30, 2003

Unaudited

During fiscal year 2003, the School District amended its general fund budget numerous times, however none were significant. Budget revisions become necessary as expenditure priorities change according to student, building and operational needs. These revisions are requested by the Superintendent and are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue and other financing sources estimate was \$22,613,157, representing an insignificant decrease from the original budget estimate of \$22,212,130. When analyzing the actual amount of resources received as compared to both the original and final estimated amounts, the variances are considered insignificant.

Also for the general fund, the original expenditures and other financing uses estimate of \$23,185,000 was revised slightly over the fiscal year. Actual expenditures and financing uses were \$1,354,717 lower than budgeted. The cut in expenditures was deemed necessary to help offset the projected shortages for fiscal year 2004.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At the end of fiscal year 2003, the School District had \$9,409,735 invested in capital assets such as land and improvements, buildings, equipment and vehicles. Table 4 shows fiscal year 2003 balances compared to fiscal year 2002:

*Table 4*  
*Capital Assets at June 30, 2003*  
*(Net of Depreciation)*

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
<i>Land</i>	\$ 333,900	\$ 333,900
<i>Land and improvements</i>	83,000	167,155
<i>Buildings</i>	7,117,816	6,855,683
<i>Furniture and equipments</i>	324,438	291,047
<i>Vehicles</i>	796,202	740,605
<i>Books</i>	691,315	775,577
<i>Construction in progress</i>	63,064	-
<i>Total capital assets</i>	<u>\$ 9,409,735</u>	<u>\$ 9,163,967</u>

The primary increase occurred from current year improvements to the school buildings and the purchase of five new school buses. Funding for these improvements and acquisitions were made from general fund resources and tax resources received from a permanent improvement levy. See Note 8 to the basic financial statements for detail on the School District's capital assets.



***Cloverleaf Local School District***  
 Management's Discussion and Analysis  
 For the fiscal year ended June 30, 2003  
 Unaudited

***Debt***

At June 30, 2003 the School District had a total \$160,867 in outstanding long-term debt obligations. Table 5 summarizes the outstanding amounts:

*Table 5  
 Outstanding Debt, at Fiscal Year End*

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
<i>Waterline Tie-In</i>	\$ 77,149	\$ 94,910
<i>Capital Leases</i>	<u>83,718</u>	<u>172,080</u>
<i>Total outstanding debt</i>	<u><u>\$ 160,867</u></u>	<u><u>\$ 266,990</u></u>

In fiscal year 1997, the School District entered into an agreement with the Medina County Sanitary Engineering Department to amortize \$172,279 worth of water tap-in and other fees over a ten-year period. Monthly general fund expenditures will continue until fiscal year 2007, which is when this obligation will mature. The capital leases are to be repaid from the general fund, which the School District has budgeted to meet these requirements. See Note 15 to the basic financial statements for detail on the School District's long-term obligations

At June 30, 2003, the School District's overall legal debt margin was \$38,489,867 with an unvoted debt margin of \$427,665. The School District is not currently rated by Standard & Poor's or Moody's Investors Service.

**Current Issues Affecting Financial Condition**

The end of fiscal year 2002 marked the expiration of the certified employees' last three-year contract. A new two-year labor agreement was ratified on March 5, 2002 with an economic package for the first year providing a 4% increase to the base salary and 3.5% increase for fiscal year 2004.

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

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

The State cut funding to the School District by \$173,741 in fiscal year 2003 and has projected additional cuts of \$332,918 in fiscal year 2004 and \$202,101 for fiscal year 2005. The School District has unsuccessfully made several attempts to pass levies to make up for this lost revenue and increasing expenses.

***Cloverleaf Local School District***

Management's Discussion and Analysis

For the fiscal year ended June 30, 2003

Unaudited

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. In conclusion, the School District's system of budgeting and internal controls is well regarded.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions or need additional financial information, contact Gary S Bowen, Treasurer/Chief Fiscal Officer of the Cloverleaf Local School District, 8525 Friendsville Road, Lodi, Ohio 44254 by phone (330) 948-2500 or e-mail [gbowen@cls.k12.oh.us](mailto:gbowen@cls.k12.oh.us).

## **Basic Financial Statements**

***Cloverleaf Local School District***

**Statement of Net Assets**

**June 30, 2003**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 2,089,424
Receivables:	
Taxes	10,750,922
Accounts	1,254
Intergovernmental	56,946
Prepaid items	17,858
Inventory held for resale	16,180
Materials and supplies inventory	165,600
Equity in pooled cash and cash equivalents (restricted)	122
Capital assets:	
Land and construction in progress	396,964
Depreciable capital assets, net	9,012,771
Total capital assets	<u>9,409,735</u>
Total assets	<u>22,508,041</u>
 <u>Liabilities:</u>	
Accounts payable	145,759
Contracts payable	65,164
Accrued wages	2,674,433
Severance payable	150,057
Intergovernmental payable	784,162
Deferred revenue	9,620,616
Matured interest payable	122
Long-term liabilities:	
Due within one year	233,067
Due in more than one year	1,241,933
Total liabilities	<u>14,915,313</u>
 <u>Net assets:</u>	
Invested in capital assets, net of related debt	9,326,017
Restricted for:	
Capital projects	400,535
Other purposes	207,724
Unrestricted	<u>(2,341,548)</u>
Total net assets	<u>\$ 7,592,728</u>

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2003**

	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest		
<b><u>Governmental Activities:</u></b>						
Instruction:						
Regular	\$ 11,970,281	\$ 8,323	\$ 121,361	\$ -	\$ (11,840,597)	
Special	1,856,759	147,147	638,164	-	(1,071,448)	
Vocational	207,235	-	14,000	-	(193,235)	
Other	448,118	-	-	-	(448,118)	
Support services:						
Pupils	1,354,508	-	98,703	-	(1,255,805)	
Instructional staff	1,140,618	-	40,559	-	(1,100,059)	
Board of education	22,506	-	-	-	(22,506)	
Administration	1,765,001	-	2,254	-	(1,762,747)	
Fiscal	347,830	-	3,215	-	(344,615)	
Business	330,457	25,333	-	-	(305,124)	
Operation and maintenance of plant	2,508,751	1,955	80,529	85,503	(2,340,764)	
Pupil transportation	1,604,814	-	-	-	(1,604,814)	
Central	79,033	-	37,719	-	(41,314)	
Operation of non-instructional services	294,488	154,156	-	-	(140,332)	
Extracurricular activities	714,298	178,847	57,029	-	(478,422)	
Recreation center operations	254,424	229,950	6,521	-	(17,953)	
Food service operations	1,008,935	621,232	334,305	-	(53,398)	
Interest and fiscal charges	13,789	-	-	-	(13,789)	
Loss on disposal of capital assets	190,512	-	-	-	(190,512)	
<b>Total governmental activities</b>	<b>\$ 26,112,357</b>	<b>\$ 1,366,943</b>	<b>\$ 1,434,359</b>	<b>\$ 85,503</b>	<b>(23,225,552)</b>	

**General Revenues:**

Property taxes levied for:

General purposes	9,049,603
Capital outlay	595,845
Grants and entitlements not restricted to specific programs	12,747,900
Investment earnings	44,952
Miscellaneous	76,709
<b>Total general revenues</b>	<b>22,515,009</b>

Change in net assets

(710,543)

Net assets beginning of year - restated (See Note 3)

8,303,271

Net assets end of year

\$ 7,592,728

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***

**Balance Sheet**

**Governmental Funds**

**June 30, 2003**

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 1,281,596	\$ 807,828	\$ 2,089,424
Receivables:			
Taxes	10,126,474	624,448	10,750,922
Accounts	1,254	-	1,254
Intergovernmental	32,747	24,199	56,946
Interfund	500	-	500
Inventory held for resale	-	16,180	16,180
Materials and supplies inventory	147,001	18,599	165,600
Prepaid items	17,858	-	17,858
Equity in pooled cash and cash equivalents (restricted)	-	122	122
<b>Total assets</b>	<b>11,607,430</b>	<b>1,491,376</b>	<b>13,098,806</b>
<u>Liabilities:</u>			
Accounts payable	\$ 117,961	\$ 27,798	\$ 145,759
Accrued wages	2,532,174	142,259	2,674,433
Interfund payable	-	500	500
Intergovernmental payable	519,756	10,255	530,011
Contracts payable	-	65,164	65,164
Severance payable	150,057	-	150,057
Matured interest payable	-	122	122
Deferred revenue	9,549,942	586,382	10,136,324
<b>Total liabilities</b>	<b>12,869,890</b>	<b>832,480</b>	<b>13,702,370</b>
<u>Fund balances:</u>			
Reserved:			
Reserved for encumbrances	105,066	284,691	389,757
Reserved for inventory	147,001	34,779	181,780
Reserved for tax revenue unavailable for appropriation	586,356	38,066	624,422
Unreserved, undesignated, reported in:			
General fund	(2,100,883)	-	(2,100,883)
Special revenue funds	-	232,485	232,485
Capital projects fund	-	68,875	68,875
<b>Total fund balances</b>	<b>(1,262,460)</b>	<b>658,896</b>	<b>(603,564)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,607,430</b>	<b>\$ 1,491,376</b>	<b>\$ 13,098,806</b>

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**For the Fiscal Year Ended June 30, 2003**

Total governmental funds balances		\$ (603,564)
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,409,735
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 505,884	
Intergovernmental	9,824	
Total	<u>515,708</u>	
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and are therefore not reported in the funds.		(254,151)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Waterline tie-in	(77,149)	
Compensated absences	(1,314,133)	
Capital leases	(83,718)	
Total	<u>(1,475,000)</u>	
Net assets of governmental activities		<u>\$ 7,592,728</u>

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2003**

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes	\$ 9,556,915	\$ 591,756	\$ 10,148,671
Intergovernmental	12,247,268	1,324,232	13,571,500
Interest	32,131	67	32,198
Tuition and fees	137,025	31,410	168,435
Extracurricular activities	320	208,633	208,953
Gifts and donations	500	64,549	65,049
Charges for services	25,333	892,032	917,365
Rent	1,955	60,114	62,069
Miscellaneous	42,311	47,571	89,882
Total revenues	<u>22,043,758</u>	<u>3,220,364</u>	<u>25,264,122</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	11,545,186	172,801	11,717,987
Special	1,415,017	431,017	1,846,034
Vocational	186,643	13,994	200,637
Other	444,668	3,450	448,118
Support services:			
Pupils	1,193,979	164,959	1,358,938
Instructional staff	920,696	198,630	1,119,326
Board of education	22,506	-	22,506
Administration	1,687,076	14,567	1,701,643
Fiscal	337,264	9,916	347,180
Business	327,217	3,215	330,432
Operation and maintenance of plant	2,308,484	502,190	2,810,674
Pupil transportation	1,551,177	206,498	1,757,675
Central	37,181	37,719	74,900
Operation of non-instructional services	78,450	191,977	270,427
Extracurricular activities	439,929	261,726	701,655
Recreation center operations	-	213,789	213,789
Food services operations	-	922,591	922,591
Capital outlay	3,450	262,038	265,488
Debt service:			
Principal retirement	106,123	-	106,123
Interest and fiscal charges	13,789	-	13,789
Total expenditures	<u>22,618,835</u>	<u>3,611,077</u>	<u>26,229,912</u>
Excess of revenues over (under) expenditures	<u>(575,077)</u>	<u>(390,713)</u>	<u>(965,790)</u>
<u>Other financing sources</u>			
Proceeds from sale of capital assets	6,750	-	6,750
Transfers in	3,603	74,595	78,198
Transfers out	(74,595)	(3,603)	(78,198)
Total other financing sources (uses)	<u>(64,242)</u>	<u>70,992</u>	<u>6,750</u>
Net change in fund balances	(639,319)	(319,721)	(959,040)
Fund balances beginning of year - restated (See Note 3)	(593,414)	970,894	377,480
Increase (decrease) in reserve for inventory	(29,727)	7,723	(22,004)
Fund balances end of year	<u>\$ (1,262,460)</u>	<u>\$ 658,896</u>	<u>\$ (603,564)</u>

See accompanying notes to the basic financial statements.



***Cloverleaf Local School District***

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2003**

Net change in fund balances - total governmental funds \$ (959,040)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities,  
the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$ 1,005,206	
Depreciation expense	(562,326)	
Excess of capital asset additions over depreciation expense		442,880

The proceeds from the sale of capital assets are reported as a source of financing in the governmental  
funds. However, the cost of the capital assets sold is removed from the capital assets  
account in the statement of net assets and offset against the sales proceeds resulting in a  
"loss on the disposal of capital assets" in the statement of activities. Thus, more revenue  
is reported in the governmental funds and more expenses in the statement of activities. (197,112)

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

Property taxes	\$ 83,133	
Intergovernmental	(27,834)	
Miscellaneous	(1,619)	
Net change in deferred revenues during the year		53,680

Governmental funds report expenditures for inventory when purchased. However, in the statement  
of activities they are reported as an expense when consumed. (22,004)

Repayment of debt and capital lease principal is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the statement of net assets. 106,123

Some items reported in the statement of activities do not require the use of current financial  
resources and therefore are not reported as expenditures in governmental funds. These  
activities consist of:

Increase in compensated absences	\$ (99,395)	
Increase in pension obligation	(35,675)	
Total additional expenditures		(135,070)

Change in net assets of governmental activities \$ (710,543)

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***  
**Statement of Revenues, Expenditures and Changes in Fund Balance-**  
**Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2003**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 9,594,400	\$ 9,573,100	\$ 9,573,132	\$ 32
Intergovernmental	12,035,172	12,234,721	12,236,529	1,808
Interest	90,000	30,000	33,925	3,925
Tuition and fees	186,500	294,549	152,013	(142,536)
Extracurricular activities	-	-	320	320
Gifts and donations	-	450	500	50
Charges for services	15,000	20,000	25,333	5,333
Rent	1,955	1,955	1,955	-
Miscellaneous	185,000	332,514	44,065	(288,449)
Total revenues	<u>22,108,027</u>	<u>22,487,289</u>	<u>22,067,772</u>	<u>(419,517)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	11,555,161	11,864,727	11,494,857	369,870
Special	1,434,301	1,454,369	1,381,703	72,666
Vocational	181,092	188,503	184,235	4,268
Other	444,227	517,241	634,509	(117,268)
Support services:				
Pupils	1,207,547	1,206,271	1,158,642	47,629
Instructional staff	864,393	948,369	872,247	76,122
Board of education	32,248	34,504	22,669	11,835
Administration	1,725,355	1,772,883	1,686,073	86,810
Fiscal	463,509	489,552	342,977	146,575
Business	368,407	365,189	329,126	36,063
Operation and maintenance of plant	2,519,737	2,666,579	2,405,794	260,785
Pupil transportation	1,713,388	1,798,911	1,555,419	243,492
Central	50,695	48,944	35,852	13,092
Operation of non-instructional services	80,898	81,891	76,719	5,172
Extracurricular activities	373,978	428,202	439,141	(10,939)
Capital outlay	4,443	8,000	3,450	4,550
Total expenditures	<u>23,019,379</u>	<u>23,874,135</u>	<u>22,623,413</u>	<u>1,250,722</u>
Excess of revenues over (under) expenditures	<u>(911,352)</u>	<u>(1,386,846)</u>	<u>(555,641)</u>	<u>831,205</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	500	6,750	6,750	-
Advances in	-	-	500	500
Advances out	-	-	(500)	(500)
Transfers in	103,603	119,118	3,603	(115,515)
Transfers out	<u>(165,621)</u>	<u>(178,090)</u>	<u>(74,595)</u>	<u>103,495</u>
Total other financing sources (uses)	<u>(61,518)</u>	<u>(52,222)</u>	<u>(64,242)</u>	<u>(12,020)</u>
Net change in fund balance	(972,870)	(1,439,068)	(619,883)	819,185
Fund balances at beginning of year	1,153,543	1,153,543	1,153,543	-
Prior year encumbrances appropriated	436,943	436,943	436,943	-
Fund balances at end of year	<u>\$ 617,616</u>	<u>\$ 151,418</u>	<u>\$ 970,603</u>	<u>\$ 819,185</u>

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2003**

	Private Purpose Trusts	Agency
	<u>                    </u>	<u>                    </u>
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 4,120	\$ 65,750
Total assets	<u>\$ 4,120</u>	<u>\$ 65,750</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 4,600
Undistributed monies	-	9,001
Due to students	-	52,149
Total liabilities	<u>-</u>	<u>\$ 65,750</u>
<u>Net assets:</u>		
Held in trust for scholarships	2,712	
Held in trust for alumni	1,408	
Total net assets	<u>\$ 4,120</u>	

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***  
**Statement of Changes in Fiduciary Net Assets**  
**Private Purpose Trust Funds**  
**For the Fiscal Year Ended June 30, 2003**

	Private Purpose Trusts
<u>Additions:</u>	
Gifts and donations	\$ 1,250
Miscellaneous	805
Total additions	<u>2,055</u>
 <u>Deductions:</u>	
Payments in accordance with trust agreements	<u>2,226</u>
Change in net assets	(171)
Net assets beginning of year	<u>4,291</u>
Net assets end of year	<u><u>\$ 4,120</u></u>

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

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

The Cloverleaf Local School District (the School District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, October 1, 2002 was 3,616. The School District employs 242 certificated and 176 non-certificated employees.

Reporting Entity

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Cloverleaf Local School District, this includes general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District has no component units.

The following entities, which perform activities within the School District's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

Lake Erie Educational Computer Association - The School District participates in the Lake Erie Educational Computer Association (LEECA). LEECA provides data services needed by the participating school districts. This is a jointly governed organization. The School District's participation is disclosed in Note 17 to the financial statements.

Ohio Schools Council of Governments - The Ohio Schools Council promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The School District's participation is disclosed in Note 17 to the financial statements.

Medina County Joint Vocational School District - The Medina County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for vocational and special education needs of the students. This is a jointly governed organization. The School District's participation is disclosed in Note 17 to the financial statements.

Management believes the financial statements included in this report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

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

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 charges paid by the recipient of the 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 and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segments or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. 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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

## ***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

### B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

#### Governmental Funds:

Governmental funds focus 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 general fund is the only major fund of the School District:

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

#### Proprietary Funds:

Proprietary funds are used to account for the School District's ongoing activities that are similar to those found in the private sector. The School District has no proprietary funds.

#### Fiduciary Fund Types:

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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust funds are private purpose trusts, which account for scholarship and alumni programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

### C. Measurement Focus

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

## ***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

Fund Financial Statements - 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.

Private purpose trust funds are reported using the economic resources measurement focus.

### 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. The private purpose trust funds and the agency fund also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

### 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. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School 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, grants, investment earnings, tuition, and student fees.



## ***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

### Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

### Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants and Contributions" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

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. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

## ***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

### F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented on the statement of net assets in the account, "Equity in pooled cash and cash equivalents". During the current fiscal year investments were limited to overnight repurchase agreements. All investments of the School District had maturity of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market price. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as listed in Note 5.

### G. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

### H. Inventory

On the government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used.

Inventories of the general fund, and food service and uniform school supplies special revenue funds are stated at cost, which is determined on a first-in, first-out basis. Inventory in the general fund consist of expendable supplies held for consumption. Inventories of the food service fund consist of donated food, purchased food, and supplies held for resale. Inventories of the uniform school supplies fund consist of supplies held for resale. Inventories are recorded as expenditures when purchased on the fund financial statements. Reported inventories at year-end are equally offset by a fund balance reserve in the fund financial statements, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

### I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted cash in the debt service fund represents outstanding coupons that have not yet been redeemed. During fiscal year 1993, the School District received court approval to transfer the balance of its bond and coupon account to its general checking account. A corresponding "matured interest payable" has been recorded in the basic financial statements. See Note 19 for additional information regarding restricted assets.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

J. Capital Assets

General capital assets are those assets resulting 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. 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 capitalized. It is the policy of the School District to not capitalize interest costs incurred as part of construction.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
<i>Land improvements</i>	<i>5 - 20 years</i>
<i>Buildings</i>	<i>30 - 50 years</i>
<i>Furniture and equipment</i>	<i>5 - 20 years</i>
<i>Vehicles</i>	<i>5 - 20 years</i>
<i>Books</i>	<i>5 - 15 years</i>

K. Interfund balances

On the 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 columns of the statement of net assets.

L. Compensated absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination 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 that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "severance payable" in the fund from which the employees who have accumulated leave are paid.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

M. Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

N. Net assets

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

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

O. Fund balance reserves

The School District reserves those portions of fund balance 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 the fund balance that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, inventory, and tax revenue unavailable for appropriation.

P. Interfund transactions

Interfund transfers are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statements of net assets.

Q. Estimates

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

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

A. Changes in accounting principles

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

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between governmental and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting and the reclassification of funds based on the guidance provided in Statement No. 34. Due to these fund reclassifications, there are no business type activities reported.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences, reported as "severance payable", which had not matured during fiscal year 2002 and has reported prepaid amounts for services not yet consumed.

B. Restatement of fund balance

It was determined that enterprise funds should be reclassified to special revenue funds and prepaids will now be reported at the fund financial statement level. Also during the year, the School District changed the method used to estimate compensated absences from the vesting method to the termination method. The restatements for GASB Statement No. 34 and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

	<u>General</u>	<u>Non- Major</u>	<u>Total</u>
<i>Fund Balances,</i>			
<i>June 30, 2002</i>	\$ (790,331)	\$ 833,127	\$ 42,796
<i>Fund reclassification</i>	-	137,767	137,767
<i>Prepaid items</i>	9,480	-	9,480
<i>Change in estimate</i>	171,997	-	171,997
<i>Interpretation No. 6</i>			
<i>Compensated absences</i>	<u>15,440</u>	<u>-</u>	<u>15,440</u>
<i>Adjusted Fund Balances,</i>			
<i>June 30, 2002</i>	<u>\$ (593,414)</u>	<u>\$ 970,894</u>	377,480

*GASB 34 Adjustments:*

<i>Capital assets</i>	9,163,967
<i>Long-term liabilities</i>	(1,481,728)
<i>Intergovernmental payable increase - full accrual</i>	(218,475)
<i>Long-term (deferred) assets</i>	<u>462,027</u>
<i>Governmental activities net assets, June 30, 2002</i>	<u>\$ 8,303,271</u>

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the general 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

***Cloverleaf Local School District***  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

*Net Change in Fund Balance*

	<u>General</u>
<i>GAAP Basis</i>	\$ (669,046)
<i>Revenue Accruals</i>	24,514
<i>Expenditure Accruals</i>	335,159
<i>Encumbrances (Budget Basis)</i>	
<i>Outstanding at year end</i>	<u>(310,510)</u>
<i>Budget Basis</i>	<u>\$ (619,883)</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School 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 School 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 moneys. Interim moneys are those moneys, 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 pass book accounts. Interim moneys may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations 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 other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim moneys available for investment at any one time.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits:

At fiscal year end the carrying amount of the School District's deposits and petty cash totaled \$409,416 and the bank balances of the deposits totaled \$508,661. Of the bank balance, \$104,781 was covered by federal depository insurance. \$403,880 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

B. Investments:

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the School District or its agent in the School District's name holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

All interest is legally required to be placed in the general fund and the food service special revenue fund. Due to these provisions, the general fund received \$32,131, of which \$8,390 was assigned from other School District funds.

	<u>Category 3</u>	<u>Fair Value</u>
<u>Categorized Investments</u>		
<i>Repurchase Agreements</i>	\$ 1,750,000	\$ 1,750,000



***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2001 for the following tax year. Public utility property taxes are assessed on tangible personal property at 85% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true 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 earlier or later payment dates to be established.

Tangible personal property taxes paid 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.

The School District receives property taxes from Portage County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by year-end are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$586,356 in the general fund, and \$38,066 in the permanent improvement capital projects fund. These advances are recognized as revenue on the fund financial statements.

There were no new levies passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

***Cloverleaf Local School District***  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

<u>Property Category</u>	<u>2001 Assessed Value</u>	<u>2002 Assessed Value</u>
<u>Real Property</u>		
<i>Residential and Agricultural</i>	\$ 324,394,100	\$ 332,263,370
<i>Commercial and Industrial</i>	56,184,790	58,165,140
<i>Public Utilities</i>	323,930	329,940
<i>Mineral</i>	391,400	411,830
<u>Tangible Personal Property</u>		
<i>General</i>	20,785,021	22,228,824
<i>Public Utilities</i>	13,427,360	14,266,080
<i>Total</i>	<u>\$ 415,506,601</u>	<u>\$ 427,665,184</u>

**NOTE 7 - RECEIVABLES**

Receivables at year-end consisted of taxes, accounts, intergovernmental grants and entitlements, and interfund. 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 the principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
<i>General fund</i>	\$ 32,747
<i>Title I</i>	24,199
<i>Total intergovernmental receivable</i>	<u>\$ 56,946</u>

**NOTE 8 - CAPITAL ASSETS**

The capital asset balances of the governmental activities have been restated due to fund reclassifications (See Note 3.B. for detail) and the increase of the capitalization threshold from \$1,000 to \$5,000.

	<u>Balance June 30, 2002</u>	<u>Adjustments</u>	<u>Restated Balance June 30, 2002</u>
<u>Governmental Activities</u>			
<i>Land</i>	\$ 206,500	\$ 127,400	\$ 333,900
<i>Land and improvements</i>	1,115,988	44,035	1,160,023
<i>Buildings</i>	9,028,711	1,827,868	10,856,579
<i>Furniture and equipment</i>	4,182,354	(3,128,875)	1,053,479
<i>Vehicles</i>	1,507,094	(8,000)	1,499,094
<i>Books</i>	2,092,978	-	2,092,978
<i>Less: Accumulated depreciation</i>	(186,727)	(7,645,359)	(7,832,086)
<i>Total</i>	<u>\$ 17,946,898</u>	<u>\$ (8,782,931)</u>	<u>\$ 9,163,967</u>

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

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

<u>Governmental Activities</u>	<u>Restated Balance June 30, 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2003</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 333,900	\$ -	\$ -	\$ 333,900
Construction in progress	<u>-</u>	<u>63,064</u>	<u>-</u>	<u>63,064</u>
Total capital assets, not being depreciated	<u>333,900</u>	<u>63,064</u>	<u>-</u>	<u>396,964</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,160,023	-	-	1,160,023
Buildings	10,856,579	630,912	(160,060)	11,327,431
Furniture and equipment	1,053,479	76,260	(85,939)	1,043,800
Vehicles	1,499,094	234,970	(61,500)	1,672,564
Books	<u>2,092,978</u>	<u>-</u>	<u>-</u>	<u>2,092,978</u>
Total capital assets, being depreciated	<u>16,662,153</u>	<u>942,142</u>	<u>(307,499)</u>	<u>17,296,796</u>
<i>Less: Accumulated depreciation</i>				
Land improvements	(992,868)	(84,155)	-	(1,077,023)
Buildings	(4,000,896)	(208,719)	-	(4,209,615)
Furniture and equipment	(762,432)	(32,067)	75,137	(719,362)
Vehicles	(758,489)	(153,123)	35,250	(876,362)
Books	<u>(1,317,401)</u>	<u>(84,262)</u>	<u>-</u>	<u>(1,401,663)</u>
Total accumulated depreciation	<u>(7,832,086)</u>	<u>(562,326)</u>	<u>110,387</u>	<u>(8,284,025)</u>
Total capital assets being depreciated, net	<u>8,830,067</u>	<u>379,816</u>	<u>(197,112)</u>	<u>9,012,771</u>
Governmental activities capital assets, net	<u>\$ 9,163,967</u>	<u>\$ 442,880</u>	<u>\$ (197,112)</u>	<u>\$ 9,409,735</u>

***Cloverleaf Local School District***  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 192,727
<i>Special</i>	4,034
<i>Vocational</i>	4,870
<i>Support services:</i>	
<i>Pupils</i>	840
<i>Instructional staff</i>	5,986
<i>Administration</i>	3,803
<i>Operation and maintenance of plant</i>	141,252
<i>Pupil transportation</i>	145,360
<i>Central</i>	3,687
<i>Operation of non-instructional services</i>	3,418
<i>Extracurricular activities</i>	12,581
<i>Food service operations</i>	989
<i>Recreation center operations</i>	42,779
<i>Total depreciation expense</i>	<u>\$ 562,326</u>

**NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2003 consisted of the following:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
<i>General fund</i>	\$ 500	\$ -
<i>Non-major governmental funds</i>	-	500
	<u>\$ 500</u>	<u>\$ 500</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2003, all interfund loans outstanding are anticipated to be repaid in fiscal year 2004.

**NOTE 10 - INTERFUND TRANSFERS**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations

***Cloverleaf Local School District***  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

Interfund transfers for the year ended June 30, 2003, consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>		<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Funds</u>	
<i>General Fund</i>	\$ -	\$ 3,603	\$ 3,603
<i>Non-Major Funds</i>	<u>74,595</u>	<u>-</u>	<u>74,595</u>
<i>Total</i>	<u>\$ 74,595</u>	<u>\$ 3,603</u>	<u>\$ 78,198</u>

During the fiscal year, the general fund made numerous transfers to several special revenue funds to help support program activities and to fund grant programs until awards were received. As repayment funds become available, some of these transfers are repaid to the general fund.

**NOTE 11 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

A. Medical and Claims Liability

The School District has contracted with Stark County Schools Insurance Consortium (SCSIC) to provide medical/surgical, dental, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The SCSIC is a shared risk pool comprised of fourteen school districts that provide public education within Stark County. The districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$200,000 per participant and an aggregate stop-loss provision of \$ 46,122,823.

Premium contributions are determined annually based on the claims experience of the individual district. Premiums can be increased or decreased by up to 20% of the prior year's contribution. Member districts may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating School Districts' claims would be paid without regard to their individual account balances. The SCSIC Board of Directors has authority to return monies to an exiting School District subsequent to the settlement of all claims and expenses.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

**B. Property and Liability**

The School District contracted with private insurance companies for property, employee bonding, and general and educational liability insurance during fiscal year 2003:

<u>Property</u>	
<i>Building and Contents-replacement cost (\$1,000 deductible)</i>	\$ 45,060,826
<i>Commercial Auto (\$500 deductible)</i>	2,000,000
 <u>Public Officials Bonds</u>	
<i>Board members</i>	20,000
<i>Superintendent</i>	20,000
<i>Treasurer</i>	20,000
 <u>General Liability</u>	
<i>Per occurrence</i>	2,000,000
<i>Total per year</i>	4,000,000
 <i>Umbrella liability</i>	 4,000,000
<i>Stop GAP liability</i>	1,000,000

**C. Workers' Compensation**

The School District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio School Boards Association as a result of the Worker's Compensation group rating plan as defined in Section 4123.29 of the Ohio Revised Code. The group-rating program allows school district to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 from the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 8.17% for pension obligations. For the fiscal year 2002, 5.46% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$278,448, \$213,481, and \$129,280, respectively; 33% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003, in the amount of \$185,577, is recorded as an intergovernmental payable.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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 became disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 13% for pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002 and 2001 were \$1,704,515, \$1,635,045, and \$1,568,649 respectively; 84% has been contributed for the fiscal year 2003 and 100% for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal years 2003 were \$24,361 made by the School District and \$8,585 made by the plan members.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 4.5% covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$115,822 during the 2003 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.011 billion at June 30, 2002, (latest information available). For the year ended June 30, 2002, the net health care costs paid by the STRS were \$354,697,000 and eligible benefit recipients totaled 105,300.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. For fiscal year 2002, 8.54% was used to fund health care benefits. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2002 (the latest information available), the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$278,127, which includes a surcharge of \$79,431 during the 2003 fiscal year.



***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003, (latest information available) were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the SERS's net assets available for payment of health care benefits was \$303.6 million, at cost. The number of participants receiving health care benefits was approximately 50,000.

**NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The School District, in prior years, has entered into capitalized leases for the acquisition of lighting for the athletic stadium. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized as equipment in the amount of \$467,998 equal to the present value of the future minimum lease payments in the government-wide financial statements. Principal payments for leases in the current fiscal year totaled \$88,362. These payments include the retirement of copier leases in which the School District did not retain at maturity.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

<i>Fiscal Year</i>	<i>Lease Payments</i>
2004	\$ 64,081
2005	21,720
2006	<u>1,810</u>
<i>Total minimum lease payments</i>	87,611
<i>Less: amount representing interest</i>	<u>(3,893)</u>
<i>Present value of minimum lease payments</i>	<u>\$ 83,718</u>

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during the fiscal year were as follows:

	<i>Balance at</i> <u>June 30, 2002</u>	<i>Additions</i>	<i>Deletions</i>	<i>Balance at</i> <u>June 30, 2003</u>	<i>Due In</i> <u>One Year</u>
<b><i>Governmental Activities</i></b>					
<i>Waterline Tie-in , 6.12%</i>	\$ 94,910	\$ -	\$ (17,761)	\$ 77,149	\$ 18,879
<i>Other liabilities</i>					
<i>Capital leases</i>	172,080	-	(88,362)	83,718	61,043
<i>Compensated absences</i>	1,214,738	407,090	(307,695)	1,314,133	153,145
<i>Total other liabilities</i>	<u>1,386,818</u>	<u>407,090</u>	<u>(396,057)</u>	<u>1,397,851</u>	<u>214,188</u>
<i>Governmental activities long-term liabilities</i>	<u>\$ 1,481,728</u>	<u>\$ 407,090</u>	<u>\$ (413,818)</u>	<u>\$ 1,475,000</u>	<u>\$ 233,067</u>

In fiscal year 1997, the School District entered into an agreement with the Medina County Sanitary Engineering Department to amortize \$172,279 worth of water tap-in and other fees over a ten-year period. These amortized costs will mature in fiscal year 2007. Payments will be funded with general fund operating revenues.

Compensated absences will be paid from the fund from which the person is paid. In prior years this has primarily been the general fund. Capital lease obligations will be paid from the general fund.

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2003 are as follows:

<u>Fiscal Year Ending</u>	<u>Water Tap-In</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 18,879	\$ 4,198
2005	20,067	3,009
2006	21,330	1,746
2007	16,873	434
<i>Total</i>	<u>\$ 77,149</u>	<u>\$ 9,387</u>

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

**NOTE 16 - OPERATING LEASES**

The School District is obligated under a lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the School District's funds. Total lease expenditures for the year ended June 30, 2003 were \$49,984. Future minimum rental payments required under this lease as of June 30, 2003 are as follows:

<i>Fiscal Year</i>	<i>Lease Payments</i>
2004	\$ 49,984
2005	49,984
2006	49,984
2007	49,984
2008	45,784
<i>Total minimum lease payments</i>	<u>245,720</u>

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

A. Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty-one school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center for Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio, 44035. During the year ended June 30, 2003, the School District paid \$43,380 to LEECA for basic service charges.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

**B. Ohio Schools Council Of Governments**

The Ohio Schools Council is a jointly governed organization among fourteen districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service and insurance. Each member provided operating resources to Ohio Schools Council on a per pupil or actual usage charge except for insurance. The Ohio Schools Council assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. A board of directors chosen from the general membership governs Ohio Schools Council. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Ohio Schools Council located at 6376 Mill Road, Broadview Heights, Ohio, 44147. During the year ended June 30, 2003, the School District paid \$99,540 to Ohio Schools Council.

**C. Medina County Joint Vocational School District**

The Medina County Joint Vocational School District is a distinct subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each participating School District's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Medina County Joint Vocational School District is not part of the School District and its operations are not included as part of the reporting entity. During fiscal year 2003, no monies were paid by the School District to the Medina County Joint Vocational School District. Financial information can be obtained by contacting the Treasurer at the Medina County Joint Vocational School District, 1101 West Liberty Street, Medina, Ohio 44256.

**NOTE 18 - CONTINGENCIES**

**A. Grants:**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year-end.

**B. School Funding:**

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

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

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

**NOTE 19 - STATUTORY RESERVES**

The School District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and qualifying disbursements during the year that reduced set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>	<i>School Bus Reserve</i>	<i>Total</i>
<i>Set-aside balance</i>				
<i>as of June 30, 2002</i>	\$ (582,199)	\$ -	\$ -	\$ (582,199)
<i>Current year set-aside requirement</i>	474,288	474,288	80,529	1,029,105
<i>Current year offset</i>	-	-	-	-
<i>Qualifying disbursements</i>	<u>(507,763)</u>	<u>(919,862)</u>	<u>(86,277)</u>	<u>(1,513,902)</u>
<i>Total</i>	<u>\$ (615,674)</u>	<u>\$ (445,574)</u>	<u>\$ (5,748)</u>	<u>(1,066,996)</u>
<i>Balance carried forward to FY2004</i>	<u>\$ (615,674)</u>			

**NOTE 20 - COMMITMENTS**

As of June 30, 2003 the School District had outstanding contract commitments for various permanent improvement projects. The total outstanding amount of \$210,951 will be funded with resources of the permanent improvements capital project fund.

**NOTE 21- FUND DEFICITS**

As of June 30, 2003, two funds had deficit fund balances. These deficits were caused by the application of GAAP. The following funds had deficit balances as follows:

<i>Fund</i>	<i>Amount</i>
<i>General fund</i>	\$ 1,262,460
<i>Title V special revenue fund</i>	93

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**CLOVERLEAF LOCAL SCHOOL DISTRICT**

**AUDIT REPORT LETTERS**

**JUNE 30, 2003**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 11, 2003

The Board of Education  
Cloverleaf Local School District  
8525 Friendsville Rd.  
Lodi, Ohio 44254

## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the general purpose financial statements of Cloverleaf Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 11, 2003. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether Cloverleaf 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 grants, 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 that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Cloverleaf Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design of operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Cloverleaf Local School District in a separate letter dated December 11, 2003.

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

*Rea & Associates, Inc.*

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 11, 2003

The Board of Education  
Cloverleaf Local School District  
8525 Friendsville Rd.  
Lodi, Ohio 44254

## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

### **Compliance**

We have audited the compliance of Cloverleaf 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 each of its major federal programs for the year ended June 30, 2003. Cloverleaf Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cloverleaf Local School District's management. Our responsibility is to express an opinion on Cloverleaf 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circulars 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 Cloverleaf 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 on Cloverleaf Local School District's compliance with those requirements.

In our opinion, Cloverleaf Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

**Internal Control Over Compliance**

The management of Cloverleaf 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 Cloverleaf Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

**Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis**

We have audited the general purpose financial statements of Cloverleaf Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 11, 2003. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of Cloverleaf Local School District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information of the Board of Education, management, 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.

*Hea & Associates, Inc.*

**CLOVERLEAF LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>					
Title I	84.010	C1-S1-2003	236,716	215,254	0
Title I	84.010	C1-S1-2002	7,051	20,629	0
Total Title I			<u>243,767</u>	<u>235,883</u>	<u>0</u>
<i>Special Education Cluster</i>					
IDEA-B	84.027	6B-SF-03P	342,734	342,734	0
State Improvement Grant	84.027	6B-ST-02P	0	7,581	0
Title VI-B Flow Thru	84.027	6B-SF-02P	26,744	58,437	0
Total IDEA-B			<u>369,478</u>	<u>408,752</u>	<u>0</u>
Preschool Grants	84.173	PG-S1-03P	11,566	11,566	0
Total Preschool Grants			<u>11,566</u>	<u>11,566</u>	<u>0</u>
<i>Total Special Education Cluster</i>			<u>381,044</u>	<u>420,318</u>	<u>0</u>
Safe and Drug-Free Schools and Communities	84.186	DR-S1-03	14,787	14,787	0
Total Safe and Drug-Free Schools and Communities			<u>14,787</u>	<u>14,787</u>	<u>0</u>
Eisenhower Professional Development	84.281	MS-S1-02	(4,814) C	2,663	0
Total Eisenhower Professional Development			<u>(4,814)</u>	<u>2,663</u>	<u>0</u>
Title VI	84.298	C2-S1-03	19,593	16,902	0
Title VI	84.298	C2-S1-02	477	3,661	0
Total Title VI			<u>20,070</u>	<u>20,563</u>	<u>0</u>
Title II-D	84.318	TJ-S1-03	7,144	7,144	0
Total Title II-D			<u>7,144</u>	<u>7,144</u>	<u>0</u>
State Improvement Grant	84.323	ST-S1-02	30,000	11,768	0
Total State Improvement Grant			<u>30,000</u>	<u>11,768</u>	<u>0</u>
Title VI-R	84.340	CR-S1-2002	2,805 D	21,531	0
Total Title VI-R			<u>2,805</u>	<u>21,531</u>	<u>0</u>
Assistive Technology Infusion Project - Round 4	84.352A	AT-S4-02	2,254	0	0
Assistive Technology Infusion Project - Round 3	84.352A	AT-S3-02	431	431	0
Assistive Technology Infusion Project - Round 2	84.352A	AT-S2-02	1,282	1,282	0
Total Assistive Technology Infusion Project			<u>3,967</u>	<u>1,713</u>	<u>0</u>
Title II-A	84.367	TR-S1-03	133,333 C,D	132,935	0
Total Title II-A			<u>133,333</u>	<u>132,935</u>	<u>0</u>
Total Department of Education			<u>832,103</u>	<u>869,305</u>	<u>0</u>
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>					
Nutrition Cluster:					
Food Distribution Program (A) (B)	10.550		83,862	0	94,332
School Breakfast Program (A)	10.553		48,812	48,812	0
National School Lunch Program (A)	10.555		221,917	221,917	0
Total Department of Agriculture: Nutrition Cluster			<u>354,591</u>	<u>270,729</u>	<u>94,332</u>
Total Federal Assistance			<u>1,186,694</u>	<u>1,140,034</u>	<u>94,332</u>

- (A) Government commodities are reported at the fair market value of the commodities received and disbursed.  
(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.  
(C) Eisenhower Professional Development rolled into Title II-A (\$6,780)  
(D) Title VI-R rolled into Title II-A (\$6,557)

**CLOVERLEAF LOCAL SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 , Section .505  
 JUNE 30, 2003**

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

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Special Education Cluster CFDA # 84.027 & 84.173
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

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

None were noted





**Auditor of State  
Betty Montgomery**

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**CLOVERLEAF LOCAL SCHOOL DISTRICT**

**MEDINA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 4, 2004**