

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2009***

MARY WORKMAN, TREASURER



Mary Taylor, CPA
Auditor of State

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 Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 9, 2010

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**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

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

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, Medina County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Cloverleaf Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cloverleaf Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cloverleaf Local School District, as of June 30, 2009, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 18 to the basic financial statements, net assets have been restated to properly state capital assets as of July 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of Cloverleaf Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Independent Auditor's Report
Cloverleaf Local School District
Page Two

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

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

Julian & Grube, Inc.
December 18, 2009

Cloverleaf Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The Management's discussion and analysis (MD & A) of the 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, 2009. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers should review the notes to the financial statements as well as the financial statements themselves to enhance their understanding of the School District's finances.

Financial Highlights

Key financial highlights for 2009 are as follows:

- Net assets of governmental activities increased \$2,031,011, representing a 20% increase from fiscal year 2008.
- General revenues accounted for \$28,352,082 in revenue or 87% of all revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for \$4,256,832 or 13% of total revenues of \$32,608,914.
- Capital assets, net of depreciation, decreased \$278,850 over the prior fiscal year. The primary cause of the net decrease was due to the addition of land and construction in progress, that was offset with the completion of a full asset appraisal which resulted in adjustments to the asset values.
- The School District had \$30,577,903 expenses related to governmental activities; only \$4,256,832 of these expenses was offset by program specific charges for services, and operating grants, contributions and interest. General revenues \$28,352,082 contributed to support these programs.
- The general fund's fund balance increased \$357,346, representing a 31% increase from fiscal year 2008.

Using this Annual Report

This annual report consists of the MD&A, the basic financial statements and the notes to the basic financial statements. These statements are organized so the reader can understand the 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 tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Cloverleaf Local School District, the general fund, permanent improvement fund, building fund and capital grants fund are all by far the most significant funds.

Cloverleaf Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the 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 fiscal year 2009?" 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 property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School District's 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 16.

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 funds are the general fund, permanent improvement fund, capital grants fund and building 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Cloverleaf Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds. 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 18.

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 23.

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 25.

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 2009 compared to 2008:

(Table 1)
Net Assets

	<i>Governmental Activities</i>	
	<i>2009</i>	<i>Restated 2008</i>
Assets		
<i>Current and Other Assets</i>	\$ 18,235,868	\$ 17,952,678
<i>Capital Assets</i>	11,576,204	11,855,054
<i>Total Assets</i>	29,812,072	29,807,732
Liabilities		
<i>Current Liabilities</i>	15,207,328	16,710,879
<i>Long-term Liabilities</i>	2,457,396	2,980,516
<i>Total Liabilities</i>	17,664,724	19,691,395
Net Assets		
<i>Invested in Capital Assets</i>	11,576,204	11,855,054
<i>Restricted</i>	3,362,647	2,011,532
<i>Unrestricted (Deficit)</i>	(2,791,503)	(3,750,249)
<i>Total Net Assets</i>	\$ 12,147,348	\$ 10,116,337

Cloverleaf Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The overall increase in net assets of \$2,031,011 was primarily the result of an increase in deferred tax revenue and capital assets.

Capital assets, net of related debt reported on the government-wide statements represents a large component of net assets. Capital assets include land and improvements, buildings, furniture and equipment and vehicles, which are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$3,362,647 represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$2,904,946 is restricted for capital projects and \$457,701 is restricted for other purposes. Restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extracurricular programs, and for resources restricted for the operation of the School District's recreation center.

Cloverleaf Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Table 2 shows a comparison of changes in net assets between fiscal year 2009 compared to 2008.

(Table 2)
Changes in Net Assets

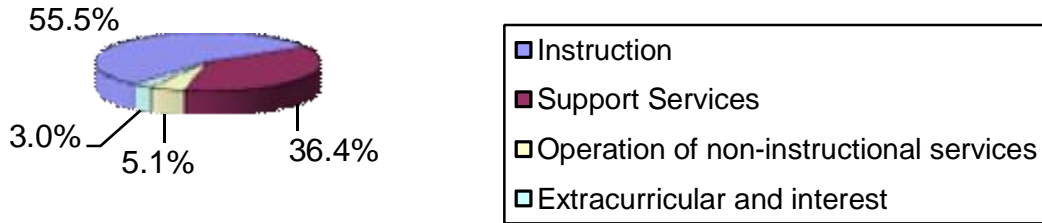
	<i>Governmental Activities</i>	
	<u>2009</u>	<u>Restated 2008*</u>
Revenues:		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,840,898	\$ 1,780,962
Operating Grants, contributions and interest	1,418,196	1,542,036
Capital Grants and Contributions	997,738	712,664
<i>General Revenue:</i>		
Property Taxes	13,373,269	11,954,087
Income Taxes	1,876,265	1,853,305
Grants and Entitlements	12,899,423	12,395,660
Investment Earnings	43,354	133,705
Miscellaneous	159,771	130,613
Total Revenues	<u>32,608,914</u>	<u>30,503,032</u>
Program Expenses:		
Instruction	\$ 16,962,183	17,461,064
<i>Support Services:</i>		
Pupil	1,363,814	1,541,351
Instructional Staff	1,674,707	1,558,459
Board of education	37,979	32,444
Administration	1,556,605	2,560,407
Fiscal	714,009	608,347
Business	451,892	427,056
Operation and maintenance of plant	2,713,142	1,648,113
Pupil Transportation	2,380,252	3,057,452
Central	233,623	213,921
<i>Operation of Non-Instructional:</i>		
Food service operations	935,356	939,784
Community Services	612,695	611,332
Extracurricular Activities	931,379	849,483
Interest and Fiscal Charges	10,267	9,907
Total Expenses	<u>30,577,903</u>	<u>31,519,120</u>
Change in net assets	<u>\$ 2,031,011</u>	<u>\$ (1,016,088)</u>

*2008 was restated to increase grants receivable associated with the Medina County Sales Tax (See Note 18).

Also for fiscal year 2008, Income Taxes were reclassified out of Property Tax general revenue line item.

Cloverleaf Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Governmental Program Expenses



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 \$15 million in 2009. General revenues from grants and entitlements, such as the school foundation program, generated over \$12.8 million. Due to the combination of taxes and intergovernmental funding representing over 87% 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 \$16,962,183, or 55.5% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. Expenses to provide these programs reported a decrease of \$498,881, or 3% as compared to fiscal year 2008.

Pupil services and instructional support include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$3,038,521 or 9.9% of the total governmental program expenses. Costs to provide these programs decreased \$61,289 or 2.0% as compared to fiscal year 2008. The primary cause of this increase was in staff and resources to help support students.

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 \$2,760,485, or about 9.0% of governmental program expenses. Costs of these programs had a decrease of \$867,769 or 23.9% as compared to fiscal year 2008. The primary cause of the decrease was a result of the recognition of expenses in 2008 associated with the Phase II PARS Supplementary Retirement Plan.

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 \$2,713,142, or nearly 8.9% of the governmental program expenses. Costs associated with operation and maintenance reported an increase of \$1,065,029, or 39.2% as compared to fiscal year 2008.

Cloverleaf Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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 \$2,380,252, or nearly 7.8% of the total governmental program expenses. Expenses to provide this program decreased \$677,200, or nearly 22.1% as compared to fiscal year 2008. This decrease was due to decreasing fuel costs.

Overall, the School District's net assets increased by \$2,031,011 during the fiscal year, primarily due to an increase in deferred tax revenue and capital assets.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue, unrestricted State entitlements and other general revenues.

Table 3 also shows a comparison of for governmental activities, the total cost of services and the net cost of services between 2009 and 2008. That is, it identifies the cost of these services supported by tax revenue, unrestricted State entitlements and other general revenues.

(Table 3)
Governmental Activities

	<i>Total Cost of Services 2009</i>	<i>Total Cost of Services 2008</i>	<i>Net Cost of Services 2009</i>	<i>Net Cost of Services 2008</i>
<i>Program Expenses:</i>				
<i>Instruction</i>	\$ 16,962,183	\$ 17,461,064	\$ (14,703,466)	\$ (15,618,756)
<i>Support Services:</i>				
<i>Pupils</i>	1,363,814	1,541,351	(1,203,945)	(1,338,363)
<i>Instructional staff</i>	1,674,707	1,558,459	(1,552,024)	(1,435,745)
<i>Board of Education</i>	37,979	32,444	(37,979)	(32,444)
<i>Administration</i>	1,556,605	2,560,407	(1,540,151)	(2,560,407)
<i>Fiscal</i>	714,009	608,347	(714,009)	(608,347)
<i>Business</i>	451,892	427,056	(451,892)	(427,056)
<i>Operation and maintenance of plant</i>	2,713,142	1,648,113	(2,712,971)	(1,647,127)
<i>Pupil transportation</i>	2,380,252	3,057,452	(2,380,252)	(3,057,452)
<i>Central</i>	233,623	213,921	(209,815)	(188,357)
<i>Operation of Non-Instructional:</i>				
<i>Food Service Operations</i>	935,356	939,784	(80,446)	(113,453)
<i>Community services</i>	612,695	611,332	(147,082)	(152,644)
<i>Uniform School Supplies</i>	0	0	2,121	0
<i>Extracurricular Activities</i>	931,379	849,483	(578,893)	(293,400)
<i>Interest and Fiscal Charges</i>	10,267	9,907	(10,267)	(9,907)
<i>Total Expenses</i>	\$ 30,577,903	\$ 31,519,120	\$ (26,321,071)	\$ (27,483,458)

Cloverleaf Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Governmental Revenues



Program revenues include charges for services, grants, contributions and interest that are program specific. These revenues only accounted for about 13% of the total revenues of the School District. About 87% of all governmental activities are supported through property taxes, grants and entitlement, and other general revenues. Based on this, it is evident of the need of resources provided by the State and property tax payers to fund the program services in which the School District provides. Property taxes made up over 41% of total revenues for governmental activities for the Cloverleaf Local Schools in fiscal year 2009. About 45% of revenues were provided by the grants and entitlements portion of general revenues, which 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 \$32,464,901 and total expenditures were \$30,822,173. For the general fund, the fund balance reported an increase of \$357,346. This increase is attributed to the decrease in expenditures for pupils, administration, pupil transportation, and an increase in tax and intergovernmental revenues.

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.

During fiscal year 2009, the School District amended its general fund budget numerous times. 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 \$29,196,374, representing an increase of \$1,614,352 from the original budget estimate of \$27,582,022. The actual budget basis revenue and financing sources were \$29,174,785 representing a variance of \$21,589, from the final budget of \$29,196,374. There were no individually significant items which caused the minimal decrease in the budget.

Cloverleaf Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Also for the general fund, the original expenditures and other financing uses estimate of \$27,676,974 was revised slightly over the fiscal year. Actual expenditures and financing uses were \$386,907 lower than the final budget. The School District was able to reduce expenditures across the board in order to conserve resources in anticipation of future budget deficits.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$11,576,204 invested in capital assets such as land and improvements, building, equipment and vehicles. Table 4 shows fiscal year 2009 balances compared with 2008.

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

	<i>Governmental Activities</i>	
	<i>2009</i>	<i>Restated 2008</i>
<i>Construction in Progress</i>	\$ 412,768	\$ 21,350
<i>Land</i>	560,085	443,900
<i>Land and improvements</i>	1,040,676	1,131,703
<i>Buildings</i>	8,469,330	8,916,357
<i>Furniture and Equipment</i>	326,939	381,980
<i>Vehicles</i>	766,406	959,764
<i>Total capital assets</i>	\$ 11,576,204	\$ 11,855,054

The primary decrease was due current year asset additions that were less than disposals and current year depreciation. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2009, the School District had no outstanding long-term debt obligations. However, on January 28, 2009, the School District took out a tax anticipation note for \$2,000,000 that was a short-term obligation with an interest rate of 3.36% and a maturity date of May 28, 2009.

Current Issues Affecting Financial

Effective December 31, 2003, the Ohio Department of Education's Superintendent of Public Instruction declared the School District to be in a state of Fiscal Caution. A financial recovery plan was submitted that relied upon the passage of an emergency levy to avoid a deficit in fiscal year 2005. Further cuts would not allow the School District to provide an adequate education to the children of the School District. Auditor of State, Betty Montgomery declared the Cloverleaf Local School District to be in Fiscal Watch on March 30, 2004.

Cloverleaf Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

To reduce costs, the School District closed its Chatham and Lafayette Elementary buildings and made the remaining three elementary schools into grade level buildings. This allowed the School District to reduce staff significantly, primarily through attrition. After eight unsuccessful attempts, the School District passed a \$2,813,100 Emergency Levy on August 2, 2005. The Emergency levy was a three-year levy for tax years 2005 through 2007. This levy was renewed in November of 2008 for a five year term, with the first collections to begin in calendar year 2009.

The School District did not renew a 5.9 mill current expense levy, which expired at the end of the 2006 tax year. The Board of Education decided to let the 5.9 mill levy expire in order to reach the 20-mill floor. This allowed the School District to receive the full 20 mills instead of only the inside millage from all new construction. An earned –income tax levy of .5% was passed in the fall of 2006. The tax will only be collected on earned income, and excludes interest, dividends, capital gains, pensions, rental income, lottery winnings and income earned by estates

A county-wide sales tax of .5% was passed in May of 2007 and is granted according to enrollment in the county's individual school districts. These funds can only be used for permanent improvements. The School District is currently in the process of using these funds to build a PreK-4 Elementary School.

The School District recently submitted a fiscal watch plan involving expenditure reductions amounting to over \$1 million for the 2009-2010 school year. This plan was accepted by the Ohio Department of Education on April 7, 2009. Reductions included fourteen certified and six classified staff members, as well as reductions in contracted services.

The certified staff are members of the Cloverleaf Education Association (CEA). The present three-year contract between the Board and CEA expires on June 30, 2010. Base salary increases are 3.5% for each year of the contract. The classified staff are members of the Ohio Association of Public School Employees (OAPSE). The current three-year OAPSE contract expires on June 30, 2011. A base increase of 1%, along with index changes, were made for the 2008-2009 contract year. This is a re-opener clause for salaries in the 2009-2010 and 2010-2011 contract years.

Under the recently approved biennial budget that extends through June 30, 2011, the School District expects that State Foundation Program payments (to include federal American Recovery and Reinvestment Act of 2009 stabilization funds) will decline by approximately 1% in fiscal year 2010 and by another 2% in fiscal year 2011. In addition to the State Foundation Program revenues that are projected for the biennium commencing July 1, 2009, the School District expects to receive increases in federal Title I and IDEA funds within that biennium, pursuant to the federal stimulus act signed by the President of the United States in February 2009, in the amounts of \$187,902 and \$701,892, respectively.

Cloverleaf Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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 Mary Workman, Treasurer/Chief Fiscal Officer of the Cloverleaf Local School District, 8525 Friendsville Road, Lodi, Ohio 44254 or by phone (300) 721-3506 or email mworkman@cls.k12.oh.us.

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Basic Financial Statements

Cloverleaf Local School District

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 3,630,017
Receivables:	
Property Taxes	12,660,004
Income Tax	923,697
Accounts	36,470
Intergovernmental	970,089
Prepaid Items	15,591
Capital Assets:	
Land & Construction In Progress	972,853
Depreciable Capital Assets, Net	<u>10,603,351</u>
Total Capital Assets	<u>11,576,204</u>
Total Assets	<u>29,812,072</u>
Liabilities:	
Accounts Payable	113,794
Accrued Wages and Benefits	2,863,043
Severance Payable	237,893
Contracts Payable	120,554
Intergovernmental Payable	836,985
Deferred Revenue	11,034,937
Matured Interest Payable	122
Long -Term Liabilities:	
Due Within One Year	322,487
Due In More Than One Year	<u>2,134,909</u>
Total Liabilities	<u>17,664,724</u>
Net Assets:	
Invested in Capital Assets	11,576,204
Restricted for:	
Capital Projects	2,904,946
Other Purposes	457,701
Unrestricted	<u>(2,791,503)</u>
Total Net Assets	<u>\$ 12,147,348</u>

Cloverleaf Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities:					
Instruction	\$ 16,962,183	\$ 513,091	\$ 747,888	\$ 997,738	\$ (14,703,466)
Support Services:					
Pupils	1,363,814	0	159,869	0	(1,203,945)
Instructional Staff	1,674,707	0	122,683	0	(1,552,024)
Board of Education	37,979	0	0	0	(37,979)
Administration	1,556,605	0	16,454	0	(1,540,151)
Fiscal	714,009	0	0	0	(714,009)
Business	451,892	0	0	0	(451,892)
Operation and Maintenance of Plant	2,713,142	171	0	0	(2,712,971)
Pupil Transportation	2,380,252	0	0	0	(2,380,252)
Central	233,623	0	23,808	0	(209,815)
Operation of Non-Instructional Services:					
Food Services Operations	935,356	517,733	337,177	0	(80,446)
Uniform School Supplies	0	2,121	0	0	2,121
Community Services	612,695	455,296	10,317	0	(147,082)
Extracurricular Activities	931,379	352,486	0	0	(578,893)
Interest and Fiscal Charges	10,267	0	0	0	(10,267)
Total Governmental Activities	\$ 30,577,903	\$ 1,840,898	\$ 1,418,196	\$ 997,738	(26,321,071)

General Revenues

Property Taxes Levied for:	
General Purposes	12,433,113
Capital Outlay	870,537
Other Purposes	69,619
Income Tax	1,876,265
Capital Grants not Restricted to Specific Programs	11,667
Grants & Entitlements not Restricted to Specific Programs	12,887,756
Investment Earnings	43,354
Miscellaneous	159,771
Total General Revenues	28,352,082
<i>Change in Net Assets</i>	2,031,011
<i>Net Assets Beginning of Year (Restated-See Note 18)</i>	10,116,337
<i>Net Assets End of Year</i>	\$ 12,147,348

Cloverleaf Local School District

Balance Sheet

Governmental Funds

June 30, 2009

	General	Permanent Improvement Fund	Building Fund	Capital Grants Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 990,674	\$ 1,185,584	\$ 36,739	\$ 955,739	\$ 461,281	\$ 3,630,017
Receivables:						
Property Taxes	11,836,030	823,974	0	0	0	12,660,004
Income Tax	923,697	0	0	0	0	923,697
Intergovernmental	20,613	0	0	767,661	181,815	970,089
Accounts	26,023	0	0	0	10,447	36,470
Interfund	0	0	0	307,604	0	307,604
Prepaid Items	15,591	0	0	0	0	15,591
Total Assets	\$ 13,812,628	\$ 2,009,558	\$ 36,739	\$ 2,031,004	\$ 653,543	\$ 18,543,472
Liabilities:						
Accounts Payable	\$ 76,669	\$ 24,510	\$ 0	\$ 0	\$ 12,615	\$ 113,794
Accrued Wages and Benefits	2,793,310	0	0	0	69,733	2,863,043
Contracts Payable	0	0	120,554	0	0	120,554
Interfund Payable	0	0	307,604	0	0	307,604
Intergovernmental Payable	808,098	0	0	0	28,887	836,985
Severance Payable	237,893	0	0	0	0	237,893
Matured Interest Payable	0	0	0	0	122	122
Deferred Revenue	11,064,210	751,732	0	555,529	15,706	12,387,177
Total Liabilities	14,980,180	776,242	428,158	555,529	127,063	16,867,172
Fund Balances:						
Reserved for Encumbrances	153,041	474,658	36,740	0	16,835	681,274
Reserved for Property Taxes	1,023,357	72,242	0	0	0	1,095,599
Unreserved, Undesignated, reported in:						
General Fund	(2,343,950)	0	0	0	0	(2,343,950)
Special Revenue Funds	0	0	0	0	509,645	509,645
Capital Projects Funds	0	686,416	(428,159)	1,475,475	0	1,733,732
Total Fund Balances	(1,167,552)	1,233,316	(391,419)	1,475,475	526,480	1,676,300
Total Liabilities and Fund Balances	\$ 13,812,628	\$ 2,009,558	\$ 36,739	\$ 2,031,004	\$ 653,543	\$ 18,543,472

Cloverleaf Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2009

Total Governmental Fund Balances

Amounts reported for governmental activities in the statement of net assets are different because: \$ 1,676,300

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. 11,576,204

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:

Delinquent Property Tax	\$ 529,469	
Income Tax	230,924	
Sales Tax Grant	555,529	
Excess Costs	20,612	
Grants	15,706	
Total		1,352,240

Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences (2,457,396)

Net Assets of Governmental Activities \$ 12,147,348

Cloverleaf Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2009

	General	Permanent Improvement Fund	Building Fund	Capital Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 14,315,336	\$ 867,854	\$ 0	\$ 0	\$ 69,619	\$ 15,252,809
Intergovernmental	12,698,781	157,286	0	980,811	1,392,345	15,229,223
Interest	43,354	0	0	0	0	43,354
Tuition and Fees	487,876	0	0	0	3,932	491,808
Extracurricular Activities	152,649	0	0	0	175,342	327,991
Gifts and Donations	0	0	0	0	63,905	63,905
Charges for Services	194	0	0	0	864,594	864,788
Rent	171	0	0	0	75,751	75,922
Miscellaneous	61,521	0	0	0	53,580	115,101
Total Revenues	27,759,882	1,025,140	0	980,811	2,699,068	32,464,901
Expenditures:						
Current:						
Instruction	16,133,267	72,730	0	0	671,655	16,877,652
Support Services:						
Pupils	1,167,759	0	0	0	251,129	1,418,888
Instructional Staff	1,511,326	0	0	0	151,854	1,663,180
Board of Education	37,979	0	0	0	0	37,979
Administration	1,728,110	1,259	0	0	25,874	1,755,243
Fiscal	691,407	15,192	10,710	0	0	717,309
Business	452,037	0	0	0	0	452,037
Operation and Maintenance of Plant	2,361,816	87,528	0	0	13,534	2,462,878
Pupil Transportation	2,186,886	1,200	0	0	1,929	2,190,015
Central	208,433	0	0	0	23,808	232,241
Operation of Non-Instructional Services:						
Food Service Operations	0	0	0	0	933,285	933,285
Community Services	100,541	0	0	0	404,402	504,943
Extracurricular Activities	525,637	0	0	0	325,738	851,375
Capital Outlay	0	290,522	380,709	0	43,650	714,881
Debt Service:						
Interest and Fiscal Charges	10,267	0	0	0	0	10,267
Total Expenditures	27,115,465	468,431	391,419	0	2,846,858	30,822,173
Excess of Revenues Over (Under) Expenditures	644,417	556,709	(391,419)	980,811	(147,790)	1,642,728
Other Financing Sources (Uses):						
Proceeds from Sale of Capital Assets	481	70,000	0	0	0	70,481
Transfers In	0	0	0	0	287,552	287,552
Transfers Out	(287,552)	0	0	0	0	(287,552)
Total Other Financing Sources and (Uses)	(287,071)	70,000	0	0	287,552	70,481
Net Change in Fund Balance	357,346	626,709	(391,419)	980,811	139,762	1,713,209
Fund Balance (Deficit) at Beginning of Year	(1,524,898)	606,607	0	494,664	386,718	(36,909)
Fund Balance (Deficit) at End of Year	\$ (1,167,552)	\$ 1,233,316	\$ (391,419)	\$ 1,475,475	\$ 526,480	\$ 1,676,300

Cloverleaf Local School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds \$ 1,713,209

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	\$ 541,418	
Depreciation Expense	(820,268)	
Excess of depreciation over capital asset additions		(278,850)

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:

Delinquent Property Tax	34,262	
Income Tax	(25,642)	
Sales Tax Grant	28,594	
Excess Costs	20,612	
Grants	15,706	
		73,532

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	523,120	
		523,120

Change in Net Assets of Governmental Activities **\$ 2,031,011**

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 14,113,556	\$ 13,628,324	\$ 13,628,323	\$ (1)
Intergovernmental	12,523,652	12,717,779	12,710,679	(7,100)
Interest	150,000	50,000	43,354	(6,646)
Tuition and Fees	427,593	486,252	487,876	1,624
Extracurricular Activities	171,000	157,000	152,649	(4,351)
Gifts and Donations	500	0	0	0
Charges for Services	0	200	194	(6)
Rent	1,100	200	171	(29)
Miscellaneous	48,000	19,517	15,706	(3,811)
Total Revenues	<u>27,435,401</u>	<u>27,059,272</u>	<u>27,038,952</u>	<u>(20,320)</u>
Expenditures:				
Current:				
Instruction	16,242,999	16,341,582	16,058,071	184,928
Support Services:				
Pupils	1,182,493	1,189,670	1,169,030	20,640
Instructional Staff	1,505,993	1,515,133	1,488,847	26,286
Board of Education	38,400	38,633	37,963	670
Administration	1,754,424	1,765,072	1,734,450	30,622
Fiscal	702,561	706,825	694,562	12,263
Business	460,354	463,148	455,113	8,035
Operation and Maintenance of Plant	2,463,859	2,478,813	2,435,808	43,005
Pupil Transportation	2,302,230	2,316,203	2,276,019	40,184
Central	203,628	204,864	201,310	3,554
Operation of Non-Instructional Services	99,535	100,139	98,402	1,737
Extracurricular Activities	525,722	528,913	519,737	9,176
Debt Service:				
Principal Retirement	0	2,000,000	2,000,000	0
Interest & Fiscal Charges	0	10,267	10,267	0
Total Expenditures	<u>27,482,198</u>	<u>29,659,262</u>	<u>29,179,579</u>	<u>381,100</u>
Excess of Revenues Over (Under) Expenditures	(46,797)	(2,599,990)	(2,140,627)	459,363
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	0	481	481	0
Refund of Prior Year Expenditures	60,000	50,000	48,731	(1,269)
Tax Anticipation Note Issues	0	2,000,000	2,000,000	0
Advances In	86,621	86,621	86,621	0
Advances Out	(87,501)	(87,501)	0	87,501
Transfers Out	(107,275)	(107,275)	(287,552)	(180,277)
Total Other Financing Sources (Uses)	<u>(48,155)</u>	<u>1,942,326</u>	<u>1,848,281</u>	<u>(94,045)</u>
Net Change in Fund Balance	(94,952)	(657,664)	(292,346)	365,318
Fund Balance (Deficit) at Beginning of Year	884,856	884,856	884,856	0
Prior Year Encumbrances Appropriated	189,560	189,560	189,560	0
Fund Balance (Deficit) at End of Year	<u>\$ 979,464</u>	<u>\$ 416,752</u>	<u>\$ 782,070</u>	<u>\$ 365,318</u>

Cloverleaf Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	<u>Private Purpose Trusts</u>	<u>Agency</u>
Assets:		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$ 2,507	\$ 57,155
Liabilities:		
<i>Current Liabilities:</i>		
Accounts Payable	75	0
Undistributed Monies	0	406
Due to Students	0	56,749
Total Liabilities	<u>75</u>	<u>\$ 57,155</u>
Net Assets:		
Held in Trust for Scholarships	1,024	
Held in Trust for Alumni	1,408	
Total Net Assets	<u>\$ 2,432</u>	

Cloverleaf Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year ended June 30, 2009

	<u>Private Purpose Trusts</u>
Additions	
Gift and Donations	\$ 1,950
Miscellaneous	<u>640</u>
Total Additions	2,590
Deductions	
Payments in accordance with Trust Agreements	<u>4,412</u>
Change in Net Assets	(1,822)
Net Assets Beginning of Year	<u>4,254</u>
Net Assets End of Year	<u><u>\$ 2,432</u></u>

Cloverleaf Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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, June 30, 2009 was 3,207. The School District employs 214 certificated and 162 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.

Northeast Ohio Network for Educational Technology - The School District participates in the Northeast Ohio Network for Educational Technology (NEONET), that provides data services needed by the participating school districts. This is a jointly governed organization. The School District's participation is disclosed in Note 13 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 13 to the financial statements.

Medina County Career Center - The Medina Career Center 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 13 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, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District will apply Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to any governmental activities provided they do not conflict with or contradict GASB pronouncements.

For the year ended June 30, 2009, the School District has implemented GASB Statement No. 52, “*Land and Other Real Estate Held as Investments by Endowments*”, GASB Statement No. 55, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”, and GASB Statement No. 56, “*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*”.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

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 effect of interfund activity, within governmental type activities columns has been removed from these statements.

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

Cloverleaf Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 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.

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, the Permanent Improvement Fund, the Building Fund, and the Capital Grants Fund are the only major funds 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.

Permanent Improvement Fund – The permanent improvement fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

Building Fund - The building fund is used to account for the receipts and expenditures related to all special bond funds in the district. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Cloverleaf Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Capital Grants Fund – The capital grants fund is used to account for revenues or grants received from another local government that are restricted to expenditures for permanent improvements.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

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. The School District's only agency fund reports resources that belong to the student bodies of the various schools.

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.

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 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. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

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

Cloverleaf Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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, income taxes, grants, investment earnings, tuition, and student fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 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 in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "operating grants and contributions" program revenue account.

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

Cloverleaf Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 2009. 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.

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled. 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 4.

G. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2009, 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.

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I. 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 asset 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 and greater than five years useful life. 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>

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

K. 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.

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L. 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, and special termination benefits 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.

M. 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. Net assets restricted for other purposes primarily include restricted federal and state grants.

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

N. Fund Balance Reserves

The School District reserves those portions of fund balances 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 balances indicate that portion of the fund balance that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and property taxes.

O. 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.

P. 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.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is

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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, is presented for the general fund 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 and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the General Fund.

<i>Net Change in Fund Balance</i>	
	<i>General</i>
<i>GAAP Basis</i>	\$ 357,346
<i>Revenue accruals</i>	1,414,422
<i>Expenditure accruals</i>	(1,855,518)
<i>Encumbrances (Budget Basis)</i>	
<i>outstanding at year end</i>	(208,596)
<i>Budget Basis</i>	\$ (292,346)

NOTE 4 – DEPOSITS & 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 withdrawals on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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

Cloverleaf Local School District
Notes to the Basic Financial Statements
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A. Cash on Hand

At year end, the School District had \$3,000 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

B. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of uninsured public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$1,081,679. The School District's bank balance of \$1,161,633 was exposed to custodial credit risk as follows:

1. \$500,000 of the bank balance was covered by depository insurance; and
2. \$661,633 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

C. Investments

As of June 30, 2009 the School District had the following investments and maturities:

<i>Investment type</i>	<i>Fair Value</i>	<i>Maturities</i>	<i>Rating</i>
<i>Repurchase agreements</i>	\$ 2,605,000	\$ 2,605,000	<i>N/A (1)</i>

(1) Underlying securities are exempt.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$43,354 which includes \$29,586 assigned from other School District funds.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$2,605,000 investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that

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prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy refers and adheres to Ohio Revised Code Section 135 on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The School District's investment policy requires certain credit ratings for some investments as allowed by state law. The School District's investments in the federal agency securities that underlie the School District's repurchase agreement were rated Aaa by Moody's Investor Services.

NOTE 5 – PROPERTY & INCOME TAXES

A. 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 for capital assets and 23% of true value of inventory.

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 tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out

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by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006 – 2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Medina 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 represents 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 \$1,023,357 in the general fund, and \$72,242 in the permanent improvement capital projects fund. These advances are recognized as revenue on the fund financial statements.

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

<i>Property Category</i>	<i>2008 Assessed Value</i>	<i>2007 Assessed Value</i>
<i><u>Real Property</u></i>		
<i>Residential and Agricultural</i>	\$ 425,966,600	\$ 425,044,570
<i>Commercial and Industrial</i>	69,473,490	67,641,890
<i>Public Utilities</i>	285,190	254,240
<i>Mineral</i>	365,130	299,380
<i><u>Tangible Personal Property</u></i>		
<i>General</i>	1,142,559	5,914,805
<i>Public Utilities</i>	7,797,840	7,987,800
<i>Total Valuation</i>	\$ 505,030,809	\$ 507,142,685

B. Income Taxes

During fiscal year 2007, the School District passed a .5% income tax levy to be collected on earned income. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

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NOTE 6 – 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. Intergovernmental receivables as of June 30, 2009 consisted of \$92 for federal subsidies, \$181,723 for federal grants, \$767,661 for the Medina County sales tax improvements grant, and \$20,613 for excessive costs.

During 2007, the voters of Medina County passed a one-half percent sales tax to be used for capital improvements at all school districts within Medina County. Collection began in October 2007 for a period of 30 years. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. Sales tax is distributed to the school districts of the Medina County based on what is essentially a per pupil distribution formula. A receivable is recognized at year end for an estimated amount to be received based on calendar year 2009 sales transactions yet to be received as of June 30, 2009.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2009 consisted of \$307,604. These 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, 2009, all interfund loans outstanding are anticipated to be repaid in fiscal year 2010.

During the fiscal year, the general fund transferred funds to the following nonmajor special revenue funds: \$169,366 to the food service fund and \$118,186 to the district managed student activity fund. These transfers were needed to support sports activities and lunchroom programs of the School District.

Cloverleaf Local School District
Notes to the Basic Financial Statements
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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	<i>Restated</i>			<i>Balance</i>
	<i>Balance</i>	<i>Increases</i>	<i>Decreases*</i>	<i>Balance</i>
	<u>6/30/2008</u>	<u></u>	<u></u>	<u>6/30/2009</u>
<i>Governmental Activities</i>				
<i>Capital Assets, not being depreciated:</i>				
<i>Construction in Progress</i>	\$ 21,350	\$ 391,418	\$ 0	\$ 412,768
<i>Land</i>	<u>443,900</u>	<u>150,000</u>	<u>(33,815)</u>	<u>560,085</u>
<i>Total Capital Assets, not being depreciated</i>	<u>465,250</u>	<u>541,418</u>	<u>(33,815)</u>	<u>972,853</u>
 <i>Capital Assets, being depreciated:</i>				
<i>Land Improvements</i>	2,118,023	0	0	2,118,023
<i>Buildings</i>	16,331,840	0	(170,620)	16,161,220
<i>Furniture and Equipment</i>	1,646,366	0	0	1,646,366
<i>Vehicles</i>	<u>2,302,198</u>	<u>0</u>	<u>0</u>	<u>2,302,198</u>
<i>Total Capital Assets, being depreciated</i>	<u>22,398,427</u>	<u>0</u>	<u>(170,620)</u>	<u>22,227,807</u>
 <i>Less Accumulated Depreciation:</i>				
<i>Land Improvements</i>	(986,320)	(124,842)	33,815	(1,077,347)
<i>Buildings</i>	(7,415,483)	(447,027)	170,620	(7,691,890)
<i>Furniture and Equipment</i>	(1,264,386)	(55,041)	0	(1,319,427)
<i>Vehicles</i>	<u>(1,342,434)</u>	<u>(193,358)</u>	<u>0</u>	<u>(1,535,792)</u>
<i>Total Accumulated Depreciation</i>	<u>(11,008,623)</u>	<u>(820,268)</u>	<u>204,435</u>	<u>(11,624,456)</u>
 <i>Total Capital Assets being depreciated, net</i>	 <u>11,389,804</u>	 <u>(820,268)</u>	 <u>33,815</u>	 <u>10,603,351</u>
 <i>Governmental Activities Capital</i>				
<i>Assets, Net</i>	<u>\$ 11,855,054</u>	<u>\$ (278,850)</u>	<u>\$ 0</u>	<u>\$ 11,576,204</u>

* Land associated with Lafayette Elementary had inadvertently been categorized and depreciated as a Land Improvement. The building and land were sold during fiscal year 2009.

Cloverleaf Local School District
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Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 331,340
<i>Vocational</i>	3,248
<i>Support Services:</i>	
<i>Instructional Staff</i>	
<i>Administration</i>	4,484
<i>Operation and Maintenance of Plant</i>	90,170
<i>Pupil Transportation</i>	190,277
<i>Central</i>	410
<i>Operation of Non-Instructional Services:</i>	
<i>Community services</i>	121,527
<i>Extracurricular Activities</i>	<u>78,812</u>
 <i>Total Depreciation expense</i>	 <u><u>\$ 820,268</u></u>

NOTE 9 – 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.

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. As of June 30, 2009, this plan contains a stop-loss provision of \$300,000 per participant and an aggregate stop-loss provision of \$131,604,819.

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.

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 districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

Cloverleaf Local School District
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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 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$409,208, \$459,376 and \$418,746, respectively; 41% has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,736,432, \$1,639,207 and \$1,649,951, respectively; 80 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$9,431 made by the School District and \$33,853 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For

Cloverleaf Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$187,272, \$180,933 and \$164,489, respectively. 41 percent has been contributed for fiscal year 2009, and 100 percent for fiscal year 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$33,763, \$26,017 and \$23,043, respectively. 41 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$133,572, \$127,389 and \$126,919, respectively. 80 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

NOTE 12 – LONG-TERM OBLIGATIONS

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

	<i>Balance at 6/30/08</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at 6/30/09</i>	<i>Due In One Year</i>
<i>Other liabilities</i>					
<i>Compensated Absences</i>	<u>\$ 2,980,516</u>	<u>\$ 162,453</u>	<u>\$ (685,573)</u>	<u>\$ 2,457,396</u>	<u>\$ 322,487</u>
<i>Total other liabilities</i>	<u>2,980,516</u>	<u>162,453</u>	<u>(685,573)</u>	<u>2,457,396</u>	<u>322,487</u>
<i>Governmental Activities long-term liabilities</i>	<u>\$ 2,980,516</u>	<u>\$ 162,453</u>	<u>\$ (685,573)</u>	<u>\$ 2,457,396</u>	<u>\$ 322,487</u>

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

Cloverleaf Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

A. Northeast Ohio Network for Educational Technology

The School District is a participant in the Northeast Ohio Network for Educational Technology (NEOnet) which is a computer consortium. NEOnet is a jointly governed organization among 17 School Districts located within the boundaries of Medina, Portage and Summit Counties. 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 among member districts. NEOnet is governed by an assembly consisting of superintendents or other designees from participating school districts. The assembly exercises total control over the operation of NEOnet including budgeting, appropriating, contracting and designating management. All the NEOnet revenues are generated from charges for services and state funding. To obtain financial information write NEOnet, 420 Washington Ave., Cuyahoga Falls, Ohio 44221. The Summit County Board of Education serves as the fiscal agent. NEOnet is not dependent on the School District's participation, and no equity interest exists. During the year ended June 30, 2009, the School District paid \$80,793 to NEOnet for basic service charges.

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, 2009, the School District paid \$194,169 to Ohio Schools Council.

C. Medina County Career Center

The Medina County Career Center 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 Career Center is not part of the School District and its operations are not included as part of the reporting entity. During fiscal year 2009, the School District paid \$6,275 to the Medina County Career Center. Financial information can be obtained by contacting the Treasurer at the Medina County Career Center, 1101 West Liberty Street, Medina, Ohio 44256.

NOTE 14 – 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

Cloverleaf Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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. Litigation

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

NOTE 15 - 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 for the capital improvement below zero, these extra amounts may not be carried forward to future years. The excess qualifying textbook disbursements may be used to reduce the set-aside requirement in future fiscal year. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end as restricted for set asides, and carried forward to be used for the same purposes in future years.

	<i>Textbook Reserve</i>	<i>Capital Improvement Reserve</i>	<i>Total</i>
<i>Set-Aside Cash Balance as of June 30, 2008</i>	\$ (648)	\$ 0	\$ (648)
<i>Current Year Set-Aside Requirement</i>	483,235	483,235	966,470
<i>Current Year Offset</i>	0	(813,692)	(813,692)
<i>Qualifying Disbursements</i>	\$ (508,263)	0	(508,263)
<i>Total</i>	\$ (25,676)	\$ (330,457)	\$ (356,133)
<i>Balance Carried Forward to Fiscal Year 2010</i>	\$ (25,676)		

NOTE 16 - FUND DEFICITS AND COMPLIANCE

As of June 30, 2009, three funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances as follows:

<u>Major Funds</u>	<i>Deficit Balance</i>
<i>General Fund</i>	\$ 1,167,552
<i>Building Fund</i>	391,419
 <u>Non-major Governmental Funds:</u>	
<i>Food Service</i>	94,154

Cloverleaf Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 17 – SHORT TERM DEBT

On January 28, 2009, the School District issued \$2,000,000 in tax anticipation notes with an interest rate of 3.36% and a maturity date of May 28, 2009. These notes were issued in order to meet current cash flow needs.

	<i>Balance at 6/30/08</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at 6/30/09</i>
<i>Tax Anticipation Notes</i>	\$ 0	\$ 2,000,000	\$ (2,000,000)	\$ 0
<i>Total</i>	\$ 0	\$ 2,000,000	\$ (2,000,000)	\$ 0

NOTE 18 – RESTATEMENT – SALES TAX AND CAPITAL ASSETS

It has been determined that in the prior year, an insufficient amount of receivables were recorded in relation to the amount awarded by Medina County, Ohio related to their sales tax levy (See Note 6 for further details.) There is no effect on fund balance, as this receivable amount was not received within the available period, thus it would have been offset to deferred revenue.

During the fiscal year, the School District conducted a complete inventory evaluation and appraisal. As a result, it was determined that the beginning capital asset values needed to be restated.

As a result if these items, the beginning net asset balance was restated for the current year as follows:

Net asset balance at June 30, 2008	\$ 6,007,304
Increase in intergovernmental receivables	526,935
Increase in capital assets	3,582,098
Net asset balance at July 1, 2008	\$ 10,116,337

NOTE 19 – FINANCIAL CONDITION

On March 30, 2004, the School District was declared to be in fiscal watch by the Ohio Department of Education and Auditor of State. The general fund and other funds' year-end deficit balances have been disclosed in Note 16. An entity may be released from fiscal watch if the Department of Education determines that corrective actions have been or are being implemented.

SUPPLEMENTARY INFORMATION

**CLOVERLEAF LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Nutrition Grant Cluster:				
(C) (D) School Breakfast Program	10.553	2009	\$ 60,653	\$ 60,653
Total School Breakfast Program			<u>60,653</u>	<u>60,653</u>
(C) (D) National School Lunch Program	10.555	2009	274,684	274,684
(D) (E) National School Lunch Program - Food Donation	10.555	2009	31,557	31,557
Total National School Lunch Program			<u>306,241</u>	<u>306,241</u>
Total U.S. Department of Agriculture and Nutrition Grant Cluster			<u>366,894</u>	<u>366,894</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(G) Title I Grants to Local Educational Agencies	84.010	2008	90,256	94,664
(G) Title I Grants to Local Educational Agencies	84.010	2009	226,735	192,564
Total Title I Grants to Local Educational Agencies			<u>316,991</u>	<u>287,228</u>
Special Education Grant Cluster:				
(F) Special Education_Grants to States	84.027	2008	70,405	115,161
(F) Special Education_Grants to States	84.027	2009	501,397	485,483
Total Special Education _Grants to States			<u>571,802</u>	<u>600,644</u>
(F) Special Education_Preschool Grants	84.173	2009	10,864	9,868
Total Special Education_Preschool Grants			<u>10,864</u>	<u>9,868</u>
Total Special Education Grant Cluster			<u>582,666</u>	<u>610,512</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	8,189	8,189
Total Safe and Drug-Free Schools and Communities_State Grants			<u>8,189</u>	<u>8,189</u>
State Grants for Innovative Programs	84.298	2009	2,340	2,340
Total State Grants for Innovative Programs			<u>2,340</u>	<u>2,340</u>
Education Technology State Grants	84.318	2009	2,789	2,789
Total Educational Technology State Grants			<u>2,789</u>	<u>2,789</u>
Improving Teacher Quality State Grants	84.367	2008	10,000	10,001
Improving Teacher Quality State Grants	84.367	2009	109,307	90,683
Total Improving Teacher Quality State Grants			<u>119,307</u>	<u>100,684</u>
Total U.S. Department of Education			<u>1,032,282</u>	<u>1,011,742</u>
Total Federal Financial Assistance			<u>\$ 1,399,176</u>	<u>\$ 1,378,636</u>

- Continued

**CLOVERLEAF LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Notes to the Schedule of Receipts and Expenditures of Federal Awards:

- (A) OAKS did not assign pass-through numbers for fiscal year 2009.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the fair market value.
- (F) Included as part of "Special Education Grant Cluster" when determining major programs.
- (G) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2009, the ODE authorized the following transfers:

Program Title	CFDA Number	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2008	\$ 13,261	
Title I Grants to Local Educational Agencies	84.010	2009		\$ 13,261
			<u>\$ 13,261</u>	<u>\$ 13,261</u>
Totals			<u>\$ 13,261</u>	<u>\$ 13,261</u>



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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Cloverleaf Local School District, Medina County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Cloverleaf Local School District's basic financial statements and have issued our report thereon dated December 18, 2009. As discussed in Note 18 to the basic financial statements, net assets have been restated to properly state capital assets as of July 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cloverleaf Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cloverleaf Local School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cloverleaf Local School District's internal control over financial reporting.

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

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

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

Board of Education
Cloverleaf Local School District

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to the Management and Board of Education of Cloverleaf Local School District in a separate letter dated December 18, 2009.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
December 18, 2009



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

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

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

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 fiscal year ended June 30, 2009. Cloverleaf Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 fiscal year ended June 30, 2009.

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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cloverleaf Local School District's internal control over compliance.

Board of Education
Cloverleaf Local School District

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

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

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

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

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

Julian & Grube, Inc.
December 18, 2009

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grant Cluster: Special Education Grants to States - CFDA #84.027 and Special Education Preschool Grants - CFDA #84.173; Improving Teacher Quality State Grants - CFDA #84.367
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2008-001	<u>Material Weakness</u> - A material weakness in internal control was identified over financial reporting in relation to the reporting of capital assets which resulted in an overstatement of capital assets.	Yes	N/A



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Cloverleaf Local School District
Medina County
8525 Friendsville Road
Lodi, Ohio 44254

To the Board of Education:

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Ohio Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school”.

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Cloverleaf Local School District has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on April 17, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education of Cloverleaf Local School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.
December 18, 2009



Mary Taylor, CPA
Auditor of State

**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
FEBRUARY 23, 2010**