

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010***

**MARY WORKMAN, TREASURER**





# Dave Yost • 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, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 3, 2011

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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

Cloverleaf Local School District  
8525 Friendsville Road  
Lodi, Ohio 44254

To the Board of Education:

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, 2010, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, Medina County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund and for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, on our consideration of Cloverleaf Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report 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 accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting 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

We conducted our audit to opine on the financial statements that collectively comprise 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. We subjected the schedule of receipts and expenditures of federal awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information 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 10, 2010

**Cloverleaf Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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The discussion and analysis 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, 2010. 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 2010 are as follows:

- Net assets of governmental activities increased \$235,706, representing a 2% increase from fiscal year 2009.
- General revenues accounted for \$28,216,994 in revenue or 85% of all revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for \$4,916,166 or 15% of total revenues of \$33,133,160.
- Capital assets, net of depreciation, increased \$3,338,713 over the prior fiscal year. The primary cause of the increase is construction in progress for the Pre-K to fourth grade school building.
- The School District had \$32,897,454 expenses related to governmental activities; only \$4,916,166 of these expenses was offset by program specific charges for services, and operating grants, contributions and interest. General revenues of \$28,216,994 contributed to support these programs.
- The general fund's fund balance increased \$372,938, representing a 32% increase from fiscal year 2009.
- The School District entered into a \$26,160,000 lease-purchase agreement for the construction of a Pre-K to fourth grade school building.

**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, 2010*

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**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 2010?" 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, 2010

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 2010 compared to 2009:

<b>(Table 1)</b>		
<b>Net Assets</b>		
	<i>Governmental Activities</i>	
	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
<i>Current and Other Assets</i>	\$ 41,114,868	\$ 18,235,868
<i>Capital Assets</i>	<u>14,914,917</u>	<u>11,576,204</u>
<i>Total Assets</i>	56,029,785	29,812,072
<b>Liabilities</b>		
<i>Current Liabilities</i>	16,031,475	15,207,328
<i>Long-term Liabilities</i>	<u>27,615,256</u>	<u>2,457,396</u>
<i>Total Liabilities</i>	43,646,731	17,664,724
<b>Net Assets</b>		
<i>Invested in Capital Assets, Net of Debt</i>	11,757,418	11,576,204
<i>Restricted</i>	25,185,439	3,429,737
<i>Unrestricted (Deficit)</i>	<u>(24,559,803)</u>	<u>(2,858,593)</u>
<i>Total Net Assets</i>	<u>\$ 12,383,054</u>	<u>\$ 12,147,348</u>

**Cloverleaf Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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The increase in current assets, mainly in cash, is due to the cash flow from the lease purchase agreement that the School District entered into in fiscal year 2010. This \$26,160,000 obligation also explains the increase long term liabilities. The \$3,338,713 increase in capital assets is due to construction in progress of the new Pre-K through fourth grade school building. The overall increase in net assets for fiscal year 2010 was \$235,706.

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, construction in progress, 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, \$25,185,439 represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$24,927,087 is restricted for capital projects and \$258,352 is restricted for other purposes. Restricted for other purposes primarily include amounts generated from grants used to provide public education for children with special education needs and disabilities and for co-curricular and extracurricular programs.

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**Cloverleaf Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010

Table 2 shows a comparison of changes in net assets between fiscal year 2010 compared to 2009.

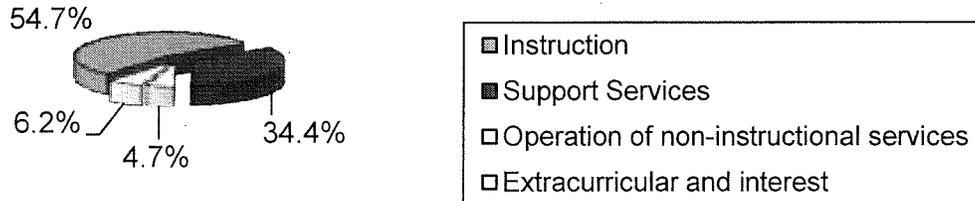
**(Table 2)**  
**Changes in Net Assets**

	<i>Governmental Activities</i>	
	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,707,647	\$ 1,840,898
Operating Grants, contributions and interest	2,311,815	1,418,196
Capital Grants, contributions and interest	896,704	997,738
<i>General Revenue:</i>		
Property Taxes	13,045,681	13,373,269
Income Taxes	1,847,422	1,876,265
Grants and Entitlements	13,020,573	12,899,423
Investment Earnings	12,092	43,354
Miscellaneous	291,226	159,771
<b>Total Revenues</b>	<u>33,133,160</u>	<u>32,608,914</u>
<b>Program Expenses:</b>		
Instruction	\$ 17,986,109	16,962,183
<i>Support Services:</i>		
Pupils	1,497,924	1,363,814
Instructional Staff	1,979,655	1,674,707
Board of education	31,238	37,979
Administration	1,719,153	1,556,605
Fiscal	586,222	714,009
Business	364,615	451,892
Operation and maintenance of plant	2,372,692	2,713,142
Pupil Transportation	2,366,563	2,380,252
Central	382,740	233,623
<i>Operation of Non-Instructional:</i>		
Food service operations	992,038	935,356
Community Services	567,368	612,695
Extracurricular Activities	808,364	931,379
Interest and Fiscal Charges	1,242,773	10,267
<b>Total Expenses</b>	<u>32,897,454</u>	<u>30,577,903</u>
<b>Change in net assets</b>	<u>\$ 235,706</u>	<u>\$ 2,031,011</u>

**Cloverleaf Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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**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 just under \$13 million in 2010. General revenues from grants and entitlements, such as the school foundation program, generated over \$13 million. Due to the combination of taxes and intergovernmental funding representing over 84% 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 \$17,986,109, or 54.7% 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 an increase of \$1,023,926, or 6% as compared to fiscal year 2009, primarily due to annual increases staff salaries and resources to help students.

Pupil services and instructional support include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$3,477,579 or 10.6% of the total governmental program expenses. Costs to provide these programs increased \$439,058 or 12.6% as compared to fiscal year 2009. 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 \$2,701,228, or about 8.2% of governmental program expenses. Costs of these programs had a minor decrease of \$59,257 or 2.2% as compared to fiscal year 2009.

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 \$2,372,692, or nearly 7.2% of the governmental program expenses. Costs associated with operation and maintenance reported a decrease of \$340,450, or 14.3% as compared to fiscal year 2009.

**Cloverleaf Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010

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 \$2,366,563, or nearly 7.2% of the total governmental program expenses. Expenses to provide this program decreased \$13,689, or less than 1% as compared to fiscal year 2009. This decrease was due to decreasing fuel costs.

Overall, the School District's net assets increased by \$235,706 during the fiscal year, which was less than 2% over the prior year's net asset balance.

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 2010 and 2009. That is, it identifies the cost of these services supported by tax revenue, unrestricted State entitlements and other general revenues.

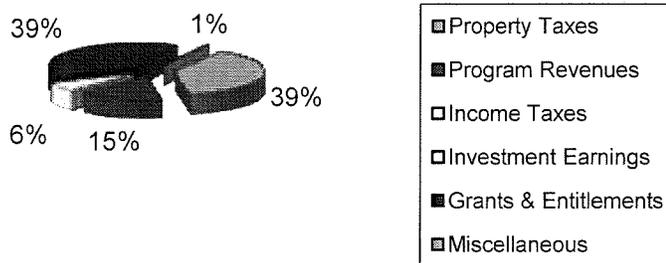
**(Table 3)**  
**Governmental Activities**

	<i>Total Cost of Services 2010</i>	<i>Total Cost of Services 2009</i>	<i>Net Cost of Services 2010</i>	<i>Net Cost of Services 2009</i>
<b><u>Program Expenses:</u></b>				
<i>Instruction</i>	\$ 17,986,109	\$ 16,962,183	\$ (1,403,835)	\$ (1,470,346)
<i>Support Services:</i>				
<i>Pupils</i>	1,497,924	1,363,814	(1,176,655)	(1,203,945)
<i>Instructional staff</i>	1,979,655	1,674,707	(1,787,569)	(1,552,024)
<i>Board of Education</i>	31,238	37,979	(31,238)	(37,979)
<i>Administration</i>	1,719,153	1,556,605	(1,685,072)	(1,540,151)
<i>Fiscal</i>	586,222	714,009	(586,222)	(714,009)
<i>Business</i>	364,615	451,892	(364,615)	(451,892)
<i>Operation and maintenance of plant</i>	2,372,692	2,713,142	(2,372,692)	(2,712,971)
<i>Pupil transportation</i>	2,366,563	2,380,252	(2,317,926)	(2,380,252)
<i>Central</i>	382,740	233,623	(365,966)	(209,815)
<i>Operation of Non-Instructional:</i>				
<i>Food Service Operations</i>	992,038	935,356	(123,540)	(80,446)
<i>Community services</i>	567,368	612,695	(169,376)	(147,082)
<i>Uniform School Supplies</i>	0	0	0	2,121
<i>Extracurricular Activities</i>	808,364	931,379	(353,809)	(578,893)
<i>Interest and Fiscal Charges</i>	1,242,773	10,267	(1,242,773)	(10,267)
<b><i>Total Expenses</i></b>	<b>\$ 32,897,454</b>	<b>\$ 30,577,903</b>	<b>\$ (27,981,288)</b>	<b>\$ (26,321,071)</b>

**Cloverleaf Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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**Governmental Revenues**



Program revenues include charges for services, grants, contributions and interest that are program specific. These revenues only accounted for about 15% of the total revenues of the School District. About 85% of all governmental activities are supported through property taxes, income 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 39% of total revenues for governmental activities for the Cloverleaf Local Schools in fiscal year 2010. About 39% 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. Income tax provided 6% of revenues and miscellaneous revenues and investment earnings are 1% of all program revenues.

**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 \$32,722,166 and total expenditures were \$36,250,651. For the general fund, the fund balance reported an increase of \$372,938. This increase is attributed to the decrease in expenditures for pupils, board of education, fiscal, business, operation and maintenance of plant, pupil transportation, and community services.

***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 2010, 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.

**Cloverleaf Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010

For the general fund, the final budget basis revenue and other financing sources estimate was \$27,636,572, representing an increase of \$1,370,930 from the original budget estimate of \$26,265,642. The actual budget basis revenue and financing sources were \$27,650,715 representing a variance of \$14,143, from the final budget of \$27,636,572. There were no individually significant items which caused the minimal decrease in the budget.

Also for the general fund, the original expenditures and other financing uses estimate of \$26,667,159 was revised slightly over the fiscal year. Actual expenditures and financing uses of \$28,081,065, were \$219,940 lower than the final budget of 28,301,005. 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 2010, the School District had \$14,914,917 invested in capital assets such as land and improvements, building, equipment and vehicles. Table 4 shows fiscal year 2010 balances compared with 2009.

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

	<i>Governmental Activities</i>	
	<i>2010</i>	<i>2009</i>
<i>Construction in Progress</i>	\$ 3,819,722	\$ 412,768
<i>Land</i>	560,085	560,085
<i>Land and improvements</i>	969,077	1,040,676
<i>Buildings</i>	8,316,613	8,469,330
<i>Furniture and Equipment</i>	412,975	326,939
<i>Vehicles</i>	836,445	766,406
<i>Total capital assets</i>	\$ 14,914,917	\$ 11,576,204

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

**Cloverleaf Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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**Debt and Capital Lease**

At June 30, 2010, the School District had no outstanding short-term debt obligations. However, on January 27, 2010, the School District took out a tax anticipation note for \$1,000,000 that was a short-term obligation with an interest rate of 2.6% and a maturity date of June 30, 2010. See Note 18 for further information and details.

The School District entered into a \$26,160,000 lease-purchase agreement for the construction of a Pre-K to fourth grade school building. Principal payments in the current fiscal year totaled \$500,000, which left the present value of minimum lease payment of \$25,660,000 at June 30, 2010. There was a discount on the lease-purchase of \$690,723 which is being amortized over the life of the lease. Amortization for fiscal year 2010 amounted to \$23,818. See Notes 12 and 13 for further information and details.

**Current Issues Affecting Financial**

As the School District continues to struggle financially, additional reductions and cost saving measures have been made for the 2010-2011 school year. These reductions and savings include 1.5 teacher positions, 1 tutor position, 1 bus mechanic helper position, 1 bus driver position, a professional development reduction of \$10,000, summer maintenance labor of \$11,268, athletic budget of \$25,000, nonessential field trips, building budgets reduced by 5%, consolidated phone expenditures, and a re-structured printer contract.

In addition, the School District requested the Ohio Department of Education (ODE) to conduct both a staffing and financial analysis. ODE consultants reviewed the results with the Board of Education at the May 24, 2010 board meeting. The staffing analysis, which compares the School District's staffing levels to comparable districts, was within comparable levels. The financial analysis was comparable to the School District's five-year forecast projections presented in March. A detailed overview on fiscal emergency procedures and how it would impact the School District was provided as well. The School District currently has projected a \$1.7 million deficit for the 2010-2011 school year. The Board has placed a 5.9 mill emergency levy on the November 2010 ballot.

The certified staff are members of the Cloverleaf Education Association (CEA). The present three-year contract between the Board and CEA expired on June 30, 2010. Base salary increases were 3.5% for each year of the contract. The School District is currently in negotiations with Cloverleaf Education Association (CEA). 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. There were no base increases for the 2009-2010 contract year. Any wage increase for the 2010-2011 contract year is to be equal to that of the CEA union.

Under the recently approved biennial budget that extends through June 30, 2011, the State Foundation Program payments (which include the federal American Recovery and Reinvestment Act of 2009 stabilization funds) declined by approximately 1% in fiscal year 2010 and will decline 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, IDEA B and IDEA B ECED funds within that biennium in the amounts of \$179,991, \$689,713 and \$20,831, respectively. These funds are pursuant to the federal stimulus act signed by the President of the United States in February 2009.

**Cloverleaf Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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**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](mailto:mworkman@cls.k12.oh.us).

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*Basic Financial Statements*

*Cloverleaf Local School District*

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,991,536
Cash and Investments in Segregated Accounts	22,069,330
Cash and Cash Equivalents with Escrow Agents	24,277
Receivables:	
Property Taxes	12,641,682
Income Tax	972,600
Accounts	7,681
Intergovernmental	951,247
Prepaid Items	14,770
Deferred Charges	441,745
Capital Assets:	
Land & Construction In Progress	4,379,807
Depreciable Capital Assets, Net	10,535,110
Total Capital Assets	<u>14,914,917</u>
<b>Total Assets</b>	<u>56,029,785</u>
<b>Liabilities:</b>	
Accounts Payable	94,435
Accrued Wages and Benefits	2,838,447
Severance Payable	259,878
Contracts Payable	637,679
Retainage Payable	24,277
Intergovernmental Payable	940,090
Deferred Revenue	10,497,869
Matured Interest Payable	122
Accrued Interest Payable	738,678
Long -Term Liabilities:	
Due Within One Year	333,298
Due In More Than One Year	<u>27,281,958</u>
<b>Total Liabilities</b>	<u>43,646,731</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Debt	11,757,418
Restricted for:	
Capital Projects	24,927,087
Other Purposes	258,352
Unrestricted	<u>(24,559,803)</u>
<b>Total Net Assets</b>	<u>\$ 12,383,054</u>

***Cloverleaf Local School District***  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants, Contributions and Interest	Revenue and Changes in Net Assets
<b>Governmental Activities:</b>					
Instruction	\$ 17,986,109	\$ 499,652	\$ 1,230,506	\$ 852,116	\$ (15,403,835)
Support Services:					
Pupils	1,497,924	0	321,269	0	(1,176,655)
Instructional Staff	1,979,655	0	192,086	0	(1,787,569)
Board of Education	31,238	0	0	0	(31,238)
Administration	1,719,153	0	34,081	0	(1,685,072)
Fiscal	586,222	0	0	0	(586,222)
Business	364,615	0	0	0	(364,615)
Operation and Maintenance of Plant	2,372,692	0	0	0	(2,372,692)
Pupil Transportation	2,366,563	48,637	0	0	(2,317,926)
Central	382,740	0	16,774	0	(365,966)
Operation of Non-Instructional Services:					
Food Services Operations	992,038	423,107	445,391	0	(123,540)
Community Services	567,368	397,992	0	0	(169,376)
Extracurricular Activities	808,364	338,259	71,708	44,588	(353,809)
Interest and Fiscal Charges	1,242,773	0	0	0	(1,242,773)
<b>Total Governmental Activities</b>	<b>\$ 32,897,454</b>	<b>\$ 1,707,647</b>	<b>\$ 2,311,815</b>	<b>\$ 896,704</b>	<b>(27,981,288)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	12,189,679
Capital Outlay	856,002
Income Tax	1,847,422
Grants & Entitlements not Restricted to Specific Programs	13,020,573
Investment Earnings	12,092
Miscellaneous	291,226
<i>Total General Revenues</i>	<u>28,216,994</u>
<i>Change in Net Assets</i>	235,706
<i>Net Assets Beginning of Year</i>	<u>12,147,348</u>
<i>Net Assets End of Year</i>	<u>\$ 12,383,054</u>

**Cloverleaf Local School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	General	Permanent Improvement	Building	Capital Grants	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 733,342	\$ 1,464,010	\$ 0	\$ 1,232,449	\$ 561,735	\$ 3,991,536
Cash and Investments in Segregated Accounts	0	0	22,069,330	0	0	22,069,330
Cash and Cash Equivalents with Escrow Agents	0	0	24,277	0	0	24,277
Receivables:						
Property Taxes	11,809,402	832,280	0	0	0	12,641,682
Income Tax	972,600	0	0	0	0	972,600
Intergovernmental	56,078	0	0	700,910	194,259	951,247
Accounts	1,050	0	0	0	6,631	7,681
Interfund	130,088	0	0	0	0	130,088
Prepaid Items	755	0	0	0	14,015	14,770
<b>Total Assets</b>	<b>\$ 13,703,315</b>	<b>\$ 2,296,290</b>	<b>\$ 22,093,607</b>	<b>\$ 1,933,359</b>	<b>\$ 776,640</b>	<b>\$ 40,803,211</b>
<b>Liabilities:</b>						
Accounts Payable	\$ 46,515	\$ 40,571	\$ 0	\$ 0	\$ 7,349	\$ 94,435
Accrued Wages and Benefits	2,640,030	0	0	0	198,417	2,838,447
Contracts Payable	0	20,187	617,492	0	0	637,679
Retainage Payable	0	0	24,277	0	0	24,277
Interfund Payable	0	0	0	0	130,088	130,088
Intergovernmental Payable	874,026	0	0	0	66,064	940,090
Severance Payable	259,878	0	0	0	0	259,878
Matured Interest Payable	0	0	0	0	122	122
Deferred Revenue	10,677,480	731,820	0	490,108	358,870	12,258,278
<b>Total Liabilities</b>	<b>14,497,929</b>	<b>792,578</b>	<b>641,769</b>	<b>490,108</b>	<b>760,910</b>	<b>17,183,294</b>
<b>Fund Balances:</b>						
Reserved for Encumbrances	104,234	4,976	18,123,395	0	7,060	18,239,665
Reserved for Property Taxes	1,422,320	100,460	0	0	0	1,522,780
Unreserved, Undesignated, reported in:						
General Fund	(2,321,168)	0	0	0	0	(2,321,168)
Special Revenue Funds	0	0	0	0	8,670	8,670
Capital Projects Funds	0	1,398,276	3,328,443	1,443,251	0	6,169,970
<b>Total Fund Balances</b>	<b>(794,614)</b>	<b>1,503,712</b>	<b>21,451,838</b>	<b>1,443,251</b>	<b>15,730</b>	<b>23,619,917</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,703,315</b>	<b>\$ 2,296,290</b>	<b>\$ 22,093,607</b>	<b>\$ 1,933,359</b>	<b>\$ 776,640</b>	<b>\$ 40,803,211</b>

***Cloverleaf Local School District***  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2010**

**Total Governmental Fund Balances**

*Amounts reported for governmental activities in the statement of net assets are different because:* \$ 23,619,917

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. 14,914,917

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

Delinquent Property Tax	\$ 621,033	
Income Tax	243,150	
Sales Tax Grant	490,108	
Excess Costs	47,248	
Grants	358,870	
Deferred Charges-Issuance Costs	441,745	
Total		2,202,154

In the statement of activities, interest is accrued on outstanding bonds, notes and capital leases, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest Payable (738,678)

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

Compensated Absences	(2,622,161)	
Capital Lease	(25,660,000)	
Discount on Lease-Purchase	666,905	
		(27,615,256)

**Net Assets of Governmental Activities** \$ 12,383,054

**Cloverleaf Local School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances/(Deficit)**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2010**

	General	Permanent Improvement	Building	Capital Grants	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 13,939,444	\$ 839,212	\$ 0	\$ 0	\$ 0	\$ 14,778,656
Intergovernmental	12,488,172	187,875	0	917,537	2,588,978	16,182,562
Interest	12,092	0	44,588	0	0	56,680
Tuition and Fees	462,726	0	0	0	15	462,741
Extracurricular Activities	149,911	0	0	0	173,063	322,974
Gifts and Donations	0	0	0	0	39,740	39,740
Charges for Services	7	0	0	0	718,736	718,743
Rent	0	0	0	0	83,439	83,439
Miscellaneous	6,960	0	9,034	0	60,637	76,631
<b>Total Revenues</b>	<b>27,059,312</b>	<b>1,027,087</b>	<b>53,622</b>	<b>917,537</b>	<b>3,664,608</b>	<b>32,722,166</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Instruction	15,841,255	209,509	0	0	1,819,254	17,870,018
<b>Support Services:</b>						
Pupils	1,110,176	0	0	0	383,127	1,493,303
Instructional Staff	1,633,192	0	0	0	255,724	1,888,916
Board of Education	31,238	0	0	0	0	31,238
Administration	1,752,022	0	0	0	66,833	1,818,855
Fiscal	552,358	16,458	0	0	0	568,816
Business	368,974	0	0	0	4,416	373,390
Operation and Maintenance of Plant	2,175,411	66,947	0	0	38,364	2,280,722
Pupil Transportation	2,173,763	238,850	0	0	20,185	2,432,798
Central	352,038	5,996	0	0	16,774	374,808
<b>Operation of Non-Instructional Services:</b>						
Food Service Operations	0	1,585	0	0	978,103	979,688
Community Services	60,117	0	0	0	397,452	457,569
Extracurricular Activities	525,222	20,000	0	0	284,168	829,390
Capital Outlay	0	197,346	3,214,022	0	17,750	3,429,118
<b>Debt Service:</b>						
Principal Retirement	0	0	0	500,000	0	500,000
Interest and Fiscal Charges	5,706	0	0	449,761	0	455,467
Issuance Costs	0	0	0	0	466,555	466,555
<b>Total Expenditures</b>	<b>26,581,472</b>	<b>756,691</b>	<b>3,214,022</b>	<b>949,761</b>	<b>4,748,705</b>	<b>36,250,651</b>
Excess of Revenues Over (Under) Expenditures	477,840	270,396	(3,160,400)	(32,224)	(1,084,097)	(3,528,485)
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Capital Assets	1,890	0	0	0	0	1,890
Transfers In	0	0	0	0	106,792	106,792
Proceeds from Lease-Purchase Agreement	0	0	25,002,722	0	1,157,278	26,160,000
Premium on Lease-Purchase Issued	0	0	935	0	0	935
Discount on Lease-Purchase Agreement Issued	0	0	0	0	(690,723)	(690,723)
Transfers Out	(106,792)	0	0	0	0	(106,792)
<b>Total Other Financing Sources and (Uses)</b>	<b>(104,902)</b>	<b>0</b>	<b>25,003,657</b>	<b>0</b>	<b>573,347</b>	<b>25,472,102</b>
Net Change in Fund Balance	372,938	270,396	21,843,257	(32,224)	(510,750)	21,943,617
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>(1,167,552)</b>	<b>1,233,316</b>	<b>(391,419)</b>	<b>1,475,475</b>	<b>526,480</b>	<b>1,676,300</b>
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ (794,614)</b>	<b>\$ 1,503,712</b>	<b>\$ 21,451,838</b>	<b>\$ 1,443,251</b>	<b>\$ 15,730</b>	<b>\$ 23,619,917</b>

***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, 2010**

**Net Change in Fund Balances - Total Governmental Funds** \$ 21,943,617

*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. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	\$ 3,966,365	
Depreciation Expense	(627,652)	
		3,338,713

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	91,564	
Income Tax	12,226	
Sales Tax Grant	(65,421)	
Excess Costs	26,636	
Grants	343,164	
		408,169

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

500,000

The issuance of capital lease-purchase bonds and related activities are expenditures and other financing sources and uses in governmental funds, but these transactions are reflected in the statement of net assets as long-term assets and liabilities.

Proceeds from Lease-Purchase Agreement	(26,160,000)	
Deferred Charges-Issuance Costs & Discount	1,148,245	
		(25,011,755)

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		(164,765)
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In statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Increase in Accrued Interest Payable	(738,678)	
Current Year Amortization of Deferred Charges	(39,595)	
		(778,273)

**Change in Net Assets of Governmental Activities** \$ 235,706

**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, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 13,005,648	\$ 13,486,839	\$ 13,503,804	\$ 16,965
Intergovernmental	12,283,232	12,230,994	12,212,368	(18,626)
Interest	32,000	12,000	12,092	92
Tuition and Fees	482,025	455,295	473,563	18,268
Extracurricular Activities	152,000	151,000	149,911	(1,089)
Gifts and Donations	100	0	0	0
Charges for Services	0	7	7	0
Rent	200	0	0	0
Miscellaneous	19,500	9,500	10,234	734
<b>Total Revenues</b>	<u>25,974,705</u>	<u>26,345,635</u>	<u>26,361,979</u>	<u>16,344</u>
<b>Expenditures:</b>				
Current:				
Instruction	23,761,703	24,021,689	15,910,730	8,110,959
Support Services:				
Pupils	224,481	236,288	1,120,753	(884,465)
Instructional Staff	98,007	100,188	1,659,981	(1,559,793)
Board of Education	16,960	15,882	31,910	(16,028)
Administration	178,217	209,546	1,758,000	(1,548,454)
Fiscal	272,214	241,192	568,615	(327,423)
Business	243,037	371,744	378,108	(6,364)
Operation and Maintenance of Plant	1,019,921	1,018,581	2,253,495	(1,234,914)
Pupil Transportation	533,351	586,822	2,217,056	(1,630,234)
Central	142,043	239,956	352,275	(112,319)
Operation of Non-Instructional Services	3,300	3,300	58,521	(55,221)
Extracurricular Activities	150	150	529,035	(528,885)
Debt Service:				
Principal Retirement	0	1,000,000	1,000,000	0
Interest & Fiscal Charges	0	5,706	5,706	0
<b>Total Expenditures</b>	<u>26,493,384</u>	<u>28,051,044</u>	<u>27,844,185</u>	<u>206,859</u>
Excess of Revenues Over (Under) Expenditures	(518,679)	(1,705,409)	(1,482,206)	223,203
<b>Other Financing Sources (Uses):</b>				
Proceeds from the Sale of Capital Assets	2,300	2,300	1,890	(410)
Refund of Prior Year Expenditures	288,637	288,637	286,846	(1,791)
Tax Anticipation Note Issues	0	1,000,000	1,000,000	0
Advances Out	(100,000)	(134,961)	(130,088)	4,873
Transfers Out	(73,775)	(115,000)	(106,792)	8,208
<b>Total Other Financing Sources (Uses)</b>	<u>117,162</u>	<u>1,040,976</u>	<u>1,051,856</u>	<u>10,880</u>
Net Change in Fund Balance	(401,517)	(664,433)	(430,350)	234,083
<b>Fund Balance (Deficit) at Beginning of Year</b>	782,070	782,070	782,070	0
Prior Year Encumbrances Appropriated	208,599	208,599	208,599	0
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 589,152</u>	<u>\$ 326,236</u>	<u>\$ 560,319</u>	<u>\$ 234,083</u>



***Cloverleaf Local School District***  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year ended June 30, 2010**

	<u>Private Purpose Trusts</u>
<b>Additions</b>	
Gift and Donations	\$ 9,775
Miscellaneous	2,389
Total Additions	<u>12,164</u>
<b>Deductions</b>	
Payments in accordance with Trust Agreements	13,544
Distributions to Participants	<u>200</u>
Total Deductions	13,744
Change in Net Assets	(1,580)
Net Assets Beginning of Year	<u>2,432</u>
<b>Net Assets End of Year</b>	<u><u>\$ 852</u></u>

**Cloverleaf Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**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, 2010 was 2,955. The School District employs 191 certificated and 157 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 14 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 14 to the financial statements.

Medina County Career Center - The Medina County 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 14 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, 2010*

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

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America 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 (FASB) Statements and Interpretations issued on or before November 30, 1989, to any governmental activities provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification.

For the year ended June 30, 2010, the School District has implemented GASB Statement No. 51, *“Accounting and Financial Reporting for Intangible Assets,”* GASB Statement No. 53, *“Accounting and Financial Reporting for Derivative Instruments,”* and GASB Statement No. 58, *“Accounting and Financial Reporting for Chapter 9 Bankruptcies.”*

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

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 fiscal year-end. The statement of activities presents a comparison between direct expenses and

**Cloverleaf Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each 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, permanent improvement fund, building fund and 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.

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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 reconciliations 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 and 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

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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, income taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Income taxes are recognized as revenue on the accrual basis in the period in which income is earned. 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, 2010, but which were levied to finance fiscal year 2011 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 entitlement 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

**Cloverleaf Local School District**  
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budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2010. 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.

Although the legal level of budgeting control was established at the fund level of expenditures for the General fund, the School District has elected to present its respective budgetary statement comparison at the fund and function level of expenditures.

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 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, federal agency instruments and money markets. 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.

The School District has segregated bank accounts for monies held separately from the central bank account and are associated exclusively with the building fund. These depository accounts are presented on the financial statements as "cash and investments in segregated accounts" since they are not required to be deposited into the School District's treasury.

***G. Prepaids***

Payments made to vendors for services that will benefit periods beyond June 30, 2010, 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.

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***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. There was no inventory at fiscal year end.

***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 assets, but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars 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.

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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.

***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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. 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 balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of the fund balance that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances 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.

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

***Q. Deferred Charges and Unamortized Discount of Lease Purchase***

On government-wide financial statements, lease purchase issuance costs are deferred and amortized over the term of the lease purchase agreement using the straight-line method.

Discounts on Lease Purchase are deferred and amortized over the term of the lease. Using the straight-line method, which approximates the effective interest method, discounts are presented as a deduction to the face amount of the lease purchase.

On the governmental fund financial statements, issuance costs and discount on lease purchase agreement issued are recognized in the current period. A reconciliation between the capital lease value and the amount reported on the statement of net assets is presented in Note 12.

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

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

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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.

*Net Change in Fund Balance*

	<i>General</i>
<i>GAAP Basis</i>	\$ 372,938
<i>Revenue accruals</i>	589,513
<i>Expenditure accruals</i>	(1,219,785)
<i>Encumbrances (Budget Basis)</i>	
<i>outstanding at year end</i>	(173,016)
<i>Budget Basis</i>	\$ (430,350)

**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.

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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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*Notes to the Basic Financial Statements*  
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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.

***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.

At June 30, 2010, the School District's building fund had a "cash and cash equivalents with escrow agents" balance of \$24,277 with First Merit Bank. This money is being held in two interest bearing accounts as

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retainage for the benefit of two vendors performing construction services. Each account is jointly held in the name of the School District and the vendor, and requires both signatures for release of funds. Funds will be released upon completion of the construction project.

As of June 30, the carrying amount of the School District's deposits (including escrowed cash) was \$4,810,723. The School District's bank balance of \$4,961,998 was exposed to custodial credit risk as follows:

1. \$1,791,357 of the bank balance was covered by depository insurance; and
2. \$3,170,641 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, 2010 the School District had the following investments and maturities:

<u>Rating</u>		<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
<u>Moody's</u>	<u>S &amp; P</u>			<u>6 months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 24 Months</u>
N/A (1)	N/A (1)	Repurchase agreements	\$ 2,025,000	\$ 2,025,000	\$ 0	\$ 0
Aaa	AAA	Federal Home Loan Bank	11,685,256	3,024,097	3,905,729	4,755,430
Aaa	AAA	Federal Farm Credit Corp.	1,499,182	0	0	1,499,182
Aaa	AAA	Federal Home Loan Discount Note	1,499,250	1,499,250	0	0
Aaa	AAA	Federal Home Loan Mortgage Discount Note Bank	4,635,275	3,988,005	647,270	0
N/A (2)	N/A (2)	Ist American Money Market	16,547	16,547	0	0
<i>Totals</i>			<u>\$ 21,360,510</u>	<u>\$ 10,552,899</u>	<u>\$ 4,552,999</u>	<u>\$ 6,254,612</u>

(1) Underlying securities are exempt.

(2) Not rated.

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 2010 amounted to \$12,092 which includes \$1,728 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 \$2,025,000 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 prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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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 agreements were rated Aaa by Moody's Investor Services.

Concentration of Credit Risk The School District places no limit on the amount that may be invested to any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2010.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase agreements	\$ 2,025,000	9.48%
Federal Home Loan Bank	11,685,256	54.70%
Federal Farm Credit Corp.	1,499,182	7.02%
Federal Home Loan Bank Discount Note	1,499,250	7.02%
Federal Home Loan Mortgage Discount Note	4,635,275	21.70%
1st American Money Market	16,547	0.08%
<i>Totals</i>	\$ 21,360,510	100.00%

**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. 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 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid

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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 was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the 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 \$1,422,320 in the general fund, and \$100,460 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>2009 Second</i>		<i>2010 First</i>	
	<i>Half Collections</i>		<i>Half Collections</i>	
	<u><i>Amount</i></u>	<u><i>Percent</i></u>	<u><i>Amount</i></u>	<u><i>Percent</i></u>
<i>Real Property:</i>				
<i>Residential/Agricultural</i>	\$ 425,966,600	84.34%	\$ 426,072,560	84.04%
<i>Commercial and Industrial</i>	69,473,490	13.76%	71,690,630	14.14%
<i>Public Utility</i>	285,190	0.06%	328,830	0.06%
<i>Mineral</i>	365,130	0.07%	484,160	0.10%
<i>Tangible Personal Property:</i>				
<i>General</i>	1,142,559	0.23%	478,911	0.09%
<i>Public Utility</i>	7,797,840	1.54%	7,907,040	1.56%
<i>Total Valuation</i>	<u>\$ 505,030,809</u>	<u>100.00%</u>	<u>\$ 506,962,131</u>	<u>100.00%</u>
<i>Tax rate per \$1,000</i>				
<i>assessed valuation</i>	\$ 45.65		\$ 45.65	

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***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.

**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, 2010 consisted of \$9,657 for a refund of pension contributions, \$10,657 for miscellaneous reimbursements, \$193,612 for federal grants, \$700,910 for the Medina County sales tax improvements grant, and \$36,411 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 2010 sales transactions yet to be received as of June 30, 2010.

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The interfund balance at June 30, 2010 was \$130,088. This balance 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, 2010, all interfund loans outstanding are anticipated to be repaid in fiscal year 2011.

During the fiscal year, the general fund transferred funds of \$106,792 to the district managed student activity special revenue fund. This transfer was needed to support sports activities of the School District.

**Cloverleaf Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	<i>Balance</i> <u>6/30/2009</u>	<i>Increases</i> <u></u>	<i>Decreases</i> <u></u>	<i>Balance</i> <u>6/30/2010</u>
<b><i>Governmental Activities</i></b>				
<i>Capital Assets, not being depreciated:</i>				
<i>Construction in Progress</i>	\$ 412,768	\$ 3,406,954	\$ 0	\$ 3,819,722
<i>Land</i>	560,085	0	0	560,085
<i>Total Capital Assets, not being depreciated</i>	<u>972,853</u>	<u>3,406,954</u>	<u>0</u>	<u>4,379,807</u>
 <i>Capital Assets, being depreciated:</i>				
<i>Land Improvements</i>	2,118,023	17,750	0	2,135,773
<i>Buildings</i>	16,161,220	111,616	0	16,272,836
<i>Furniture and Equipment</i>	1,646,366	163,411	0	1,809,777
<i>Vehicles</i>	2,302,198	266,634	(343,236)	2,225,596
<i>Total Capital Assets, being depreciated</i>	<u>22,227,807</u>	<u>559,411</u>	<u>(343,236)</u>	<u>22,443,982</u>
 <i>Less Accumulated Depreciation:</i>				
<i>Land Improvements</i>	(1,077,347)	(89,349)	0	(1,166,696)
<i>Buildings</i>	(7,691,890)	(264,333)	0	(7,956,223)
<i>Furniture and Equipment</i>	(1,319,427)	(77,375)	0	(1,396,802)
<i>Vehicles</i>	(1,535,792)	(196,595)	343,236	(1,389,151)
<i>Total Accumulated Depreciation</i>	<u>(11,624,456)</u>	<u>(627,652)</u>	<u>343,236</u>	<u>(11,908,872)</u>
 <i>Total Capital Assets being depreciated, net</i>	 <u>10,603,351</u>	 <u>(68,241)</u>	 <u>0</u>	 <u>10,535,110</u>
 <i>Governmental Activities Capital</i>				
<i>Assets, Net</i>	<u>\$ 11,576,204</u>	<u>\$ 3,338,713</u>	<u>\$ 0</u>	<u>\$ 14,914,917</u>

**Cloverleaf Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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Depreciation expense was charged to governmental functions as follows:

<i>Instruction</i>	\$ 136,358
<i>Support Services:</i>	
<i>Instructional Staff</i>	2,196
<i>Administration</i>	26,987
<i>Operation and Maintenance of Plant</i>	38,422
<i>Pupil Transportation</i>	196,336
<i>Central</i>	410
<i>Operation of Non-Instructional Services:</i>	
<i>Community services</i>	123,211
<i>Food Service</i>	9,139
<i>Extracurricular Activities</i>	<u>94,593</u>
 <i>Total Depreciation expense</i>	 <u><u>\$ 627,652</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, 2010, this plan contains a stop-loss provision of \$300,000 per participant and an aggregate stop-loss provision of \$146,198,738.

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**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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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 defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 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](http://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 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 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The School District's contributions to SERS for pension obligations and death benefits for the years ended June 30, 2010, 2009 and 2008 were \$650,444, \$409,208 and \$459,376, respectively; 37 percent has been contributed for fiscal year 2010 and 100% of the contributions have been made for fiscal years 2009 and 2008.

***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 defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

**Cloverleaf Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2010, 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 2009, 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 employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,559,741, \$1,736,432 and \$1,639,207, respectively; 84% has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$8,329 made by the School District and \$41,958 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, 2010, 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. 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) 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 premium. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorized 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 2010, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for fiscal years ended June 30, 2010, 2009 and 2008 were \$119,980, \$133,572 and \$127,389, respectively; 84% has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

**Cloverleaf Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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***B. State Employees Retirement System***

Plan Description — The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan included 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 SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 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](http://www.ohsers.org) under *Employers/Audit Resources*.

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 allocated 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 2010, .46 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 2010, 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 the years ended June 30, 2010, 2009 and 2008 were \$123,892, \$187,272 and \$180,933, respectively; 37 percent has been contributed for fiscal year 2010 and 100% of the contributions have been made for fiscal years 2009 and 2008.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76 percent. The School District's contributions for the years ended June 30, 2010, 2009 and 2008 were \$38,681, \$33,763 and \$26,017; 37 percent has been contributed for fiscal year 2010 and 100% of the contributions have been made for fiscal years 2009 and 2008.

**Cloverleaf Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE 12 – LONG-TERM OBLIGATIONS**

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

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010	Amount Due Within One Year
<i>Governmental Activities:</i>					
Capital Lease	\$ 0	\$26,160,000	\$ (500,000)	\$25,660,000	\$ 0
Discount on Lease Purchase	0	(690,723)	23,818	(666,905)	0
Compensated Absences	2,457,396	193,785	(29,020)	2,622,161	333,298
<i>Total Governmental Long-term Obligations</i>	<u>\$ 2,457,396</u>	<u>\$25,663,062</u>	<u>\$ (505,202)</u>	<u>\$ 27,615,256</u>	<u>\$ 333,298</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. The capital lease will be paid from the capital grants fund.

**NOTE 13 – CAPITALIZED LEASE**

During fiscal year 2010, the School District entered into a lease-purchase agreement for the construction of a Pre –K to fourth grade school building. The School District is leasing the project site from Ohio School Building Leasing Corporation. Ohio School Building Leasing Corporation assigned The Bank of New York Mellon Trust Company, N.A., as trustee, transferring rights, title and interest in the project to the trustee. The School District is acting as an agent for the lessor, and is renovating the facilities from the proceeds provided by the lessor. As part of the agreement, The Bank of New York Mellon Trust Company, N.A. deposited \$26,160,000, with a fiscal agent for the renovation project. The Bank of New York Mellon Trust Company, N.A. has sold certificates of participation in the building lease. The School District will make annual lease payments to The Bank of New York Mellon Trust Company, N.A. Interest rates range between 2% and 7.75%. The lease is renewable annually and expires in 2038. The intention of the School District is to renew the lease annually.

As of June 30, 2010, \$3,617,904 of capital assets acquired by lease has been capitalized as construction in progress, the remaining funds have not been disbursed as of June 30, 2010 and will be capitalized as disbursed. Principal payments in fiscal year 2010 totaled \$500,000. The next principal payment is due March 1, 2015. Payments will be made on the lease from the capital grants fund.

**Cloverleaf Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010:

Fiscal Year Ending June 30,	Amount
2011	\$ 1,821,399
2012	1,821,399
2013	1,821,399
2014	1,821,399
2015	1,851,399
2016 - 2020	9,991,446
2021 - 2025	11,559,331
2026 - 2030	12,778,669
2031 - 2035	13,808,463
2036 - 2038	9,154,411
Total payments	66,429,315
Less amount representing interest	(40,769,315)
Present Value of minimum lease payment	\$ 25,660,000

**NOTE 14 - 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, 2010, the School District paid \$90,293 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

**Cloverleaf Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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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, 2010, the School District paid \$50,113 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 2010, the School District paid \$4,317 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 15 – CONTINGENCIES**

***A. Grants***

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

***B. Litigation***

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

**NOTE 16 - 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 only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-aside. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

**Cloverleaf Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

	<i>Textbook Reserve</i>	<i>Capital Improvement Reserve</i>	<i>Total</i>
<i>Set-Aside Cash Balance as of June 30, 2009</i>	\$ (25,676)	\$ 0	\$ (25,676)
<i>Current Year Set-Aside Requirement</i>	490,803	490,803	981,606
<i>Current Year Offset</i>	0	(810,994)	(810,994)
<i>Qualifying Disbursements</i>	(499,775)	0	(499,775)
<i>Total</i>	\$ (34,648)	\$ (320,191)	\$ (354,839)
<i>Balance Carried Forward to Fiscal Year 2011</i>	\$ (34,648)		

**NOTE 17 - FUND DEFICITS AND COMPLIANCE**

As of June 30, 2010, five 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:

<i>Fund</i>	<i>Deficit Balance</i>
<i>General Fund</i>	\$ 794,614
<i>Non-major Special Revenue Funds:</i>	
<i>Food Service</i>	215,238
<i>IDEA Grant</i>	185,024
<i>Fiscal Stabilization</i>	64,529
<i>EHA Preschool Grant</i>	7,249

**NOTE 18 – SHORT TERM DEBT**

On January 27, 2010, the School District issued \$1,000,000 in tax anticipation notes with an interest rate of 2.6% and a maturity date of June 30, 2010. These notes were issued in order to meet current cash flow needs.

	<i>Balance at 6/30/09</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at 6/30/10</i>
<i>Tax Anticipation Notes</i>	\$ 0	\$ 1,000,000	\$ (1,000,000)	\$ 0
<i>Total</i>	\$ 0	\$ 1,000,000	\$ (1,000,000)	\$ 0

**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 17. An entity may be released from fiscal watch if the Department of Education determines that corrective actions have been or are being implemented.

**Cloverleaf Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 20 – CONSTRUCTION COMMITMENTS**

As of June 30, 2010, the School District had contractual commitments for the following:

<u>Project</u>	<u>Total Authorized Cost</u>	<u>Expended to June 30, 2010</u>	<u>Balance at June 30, 2010</u>
Pre-K - 4 Building	\$ 20,687,408	\$ 2,564,013	\$ 18,123,395

## **SUPPLEMENTARY DATA**

**CLOVERLEAF LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Nutrition Grant Cluster:</b>				
(D) (E) School Breakfast Program	10.553	2010	\$ 78,838	\$ 78,838
(D) (E) National School Lunch Program	10.555	2010	317,343	317,343
(D) (C) National School Lunch Program - Food Donation	10.555	2010	40,989	40,989
<b>Total National School Lunch Program</b>			<u>358,332</u>	<u>358,332</u>
<b>Total U.S. Department of Agriculture and Nutrition Grant Cluster</b>			<u>437,170</u>	<u>437,170</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Title I Grant Cluster:</b>				
(F) Title I Grants to Local Educational Agencies	84.010	2009	74,874	109,044
(F) Title I Grants to Local Educational Agencies	84.010	2010	205,429	195,326
<b>Total Title I Grants to Local Educational Agencies</b>			<u>280,303</u>	<u>304,370</u>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	154,374	148,809
<b>Total Title I Grant Cluster</b>			<u>434,677</u>	<u>453,179</u>
<b>Special Education Grant Cluster:</b>				
(G) Special Education _Grants to States	84.027	2009	87,039	102,953
(G) Special Education _Grants to States	84.027	2010	522,730	504,511
<b>Total Special Education _Grants to States</b>			<u>609,769</u>	<u>607,464</u>
(G) ARRA - Special Education Grants to States, Recovery Act	84.391	2010	553,547	535,436
(G) Special Education _Preschool Grants	84.173	2009	-	995
(G) Special Education _Preschool Grants	84.173	2010	10,883	10,759
<b>Total Special Education _Preschool Grants</b>			<u>10,883</u>	<u>11,754</u>
(G) ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2010	19,073	17,561
<b>Total Special Education Grant Cluster</b>			<u>1,193,272</u>	<u>1,172,215</u>
Safe and Drug-Free Schools and Communities, State Grants	84.186	2010	7,719	7,719
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2010	635,763	595,408
Education Technology State Grants	84.318	2010	2,656	2,656
(H) Improving Teacher Quality State Grants	84.367	2009	9,500	28,124
(H) Improving Teacher Quality State Grants	84.367	2010	102,343	83,881
<b>Total Improving Teacher Quality State Grants</b>			<u>111,843</u>	<u>112,005</u>
<b>Total U.S. Department of Education</b>			<u>2,385,930</u>	<u>2,343,182</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 2,823,100</u>	<u>\$ 2,780,352</u>

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

- (A) OAKS did not assign pass-through numbers for fiscal year 2010.
- (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 entitlement value.
- (F) Included as part of "Title I Grant Cluster" when determining major programs.
- (G) Included as part of "Special Education Grant Cluster" when determining major programs.
- (H) 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 2010, the ODE authorized the following transfers:

Program Title	CFDA Grant	Year	Transfers Out	Transfers In
Improving Teacher Quality State Grants	84.367	2009	\$ 905	
Improving Teacher Quality State Grants	84.367	2010		\$ 905
<b>Totals</b>			<u>\$ 905</u>	<u>\$ 905</u>



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

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

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

Cloverleaf Local School District  
8525 Friendsville Road  
Lodi, Ohio 44254

To the Board of Education:

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, 2010, which collectively comprise Cloverleaf Local School District's basic financial statements and have issued our report thereon dated December 10, 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of Cloverleaf Local School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education  
Cloverleaf Local School District

Compliance and Other Matters

As part of reasonably assuring whether Cloverleaf Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material affect 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 we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of Cloverleaf Local School District, federal awarding agencies and pass-through entities, and others within Cloverleaf Local School District. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
December 10, 2010



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

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

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

Cloverleaf Local School District  
8525 Friendsville Road  
Lodi, Ohio 44254

To the Board of Education:

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 apply to each of its major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies Cloverleaf Local School District's major federal programs. Cloverleaf Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about Cloverleaf Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 apply to each of its major federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

Cloverleaf Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cloverleaf Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Cloverleaf Local School District's internal control over compliance.

Board of Education  
Cloverleaf Local School District

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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.

We intend this report solely for the information and use of the management and Board of Education of Cloverleaf Local School District, federal awarding agencies and pass-through entities, and others within Cloverleaf Local School District. We intend it for no one other 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 10, 2010

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any 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(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	State Fiscal Stabilization Funds (SFSF) - Education State Grants, Recovery Act, CFDA #84.394; Title I Grant Cluster: Title I Grants to Local Educational Agencies, CFDA #84.010; ARRA - Title I Grants to Local Educational Agencies, Recovery Act, CFDA #84.389; Special Education Grant Cluster: Special Education_ Grants to States, CFDA #84.027; ARRA - Special Education Grants to States, Recovery Act, CFDA #84.391; Special Education_Preschool Grants, CFDA #84.173 and ARRA - Special Education-Preschool Grants, Recovery Act, CFDA #84.392
<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, 2010**

**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



# Dave Yost • 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 15, 2011