

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2012***

JAMES HUDSON, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Cloverleaf Local School District, Medina County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. 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

March 12, 2013

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' 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 the Cloverleaf Local School District, Medina County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Cloverleaf Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the Cloverleaf Local School District, Medina County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2013, on our consideration of the 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

Independent Accountants' Report
Cloverleaf Local School District
Page Two

We conducted our audit to opine on the financial statements that collectively comprise the Cloverleaf Local School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
January 11, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The discussion and analysis of the Cloverleaf Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities increased \$510,497 which represents a 4.52% increase from 2011.
- General revenues accounted for \$26,517,375 in revenue, or 84.92% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,709,978 or 15.08% of total revenues of \$31,227,353.
- The District had \$30,716,856 in expenses related to governmental activities; \$4,709,978 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$26,517,375 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, the permanent improvement fund, the building fund, and the capital grants fund. The general fund had \$26,531,752 in revenues and \$26,427,622 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance increased \$104,130 from a deficit of \$213,868 to a deficit of \$109,738.
- The District's permanent improvement fund had \$983,793 in revenues and \$439,570 in expenditures. During fiscal year 2012, the permanent improvement fund's fund balance increased \$544,223 from a balance of \$1,982,589 to a balance of \$2,526,812.
- The District's building fund had \$1,136,588 in revenues and other financing sources and \$8,928,651 in expenditures. During fiscal year 2012, the building fund's fund balance decreased \$7,792,063 from a balance of \$9,160,149 to a balance of \$1,368,086.
- The District's capital grants fund had \$1,599,725 in revenues and \$1,821,399 in expenditures. During fiscal year 2012, the capital grant fund's fund balance decreased \$221,674 from a balance of \$1,160,467 to a balance of \$938,793.

Using these Basic Financial Statements

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

The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The general fund, the permanent improvement fund, the building fund, and the capital grants fund are the District's most significant funds. These are the only governmental funds reported as major funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District perform financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operations and maintenance, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-50 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
<u>Assets</u>		
Current and other assets	\$ 23,334,780	\$ 30,154,841
Capital assets, net	<u>34,583,428</u>	<u>25,974,878</u>
Total assets	<u>57,918,208</u>	<u>56,129,719</u>
<u>Liabilities</u>		
Current liabilities	17,541,558	17,427,018
Long-term liabilities	<u>28,564,577</u>	<u>27,401,125</u>
Total liabilities	<u>46,106,135</u>	<u>44,828,143</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	10,068,801	11,389,016
Restricted	4,175,923	13,030,799
Unrestricted (deficit)	<u>(2,432,651)</u>	<u>(13,118,239)</u>
Total net assets	<u>\$ 11,812,073</u>	<u>\$ 11,301,576</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$11,812,073. Of this total, \$4,175,923 is restricted in use.

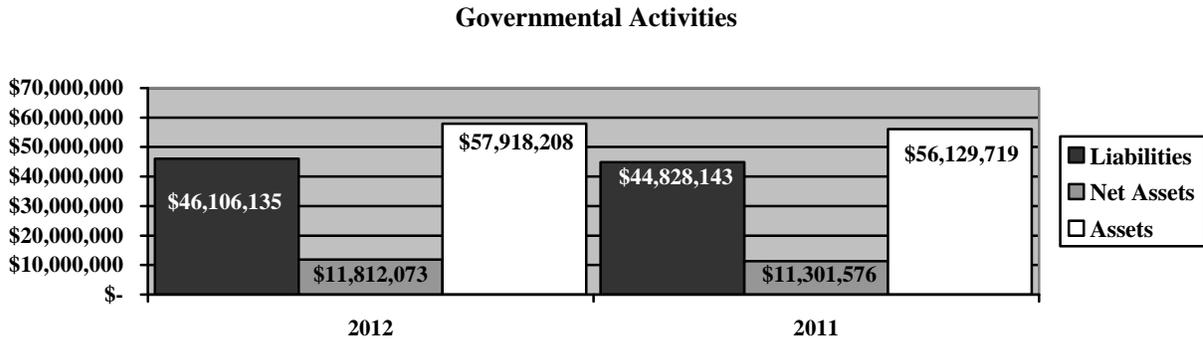
At year-end, capital assets represented 59.71% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$10,068,801. These capital assets are used to provide services to the students and the community and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

A portion of the District's net assets, \$4,175,923, represents resources that are subject to external restriction on how they may be used. Of this balance, \$3,965,020 is restricted for capital projects. The remaining balance of unrestricted net assets is a deficit of \$2,432,651, which represents the amount by which the District's liabilities, net assets invested in capital assets, net of related debt, and restricted net assets exceed the total carrying value of the District's assets at June 30, 2012.

The graph below shows the District's assets, liabilities and net assets at June 30, 2012 and 2011:



The table below shows the change in net assets for fiscal years 2012 and 2011. Certain fiscal year 2011 revenues have been reclassified to conform to current year presentation. During fiscal year 2011, the District recognized \$576,251 in federal interest subsidies as operating grants and contributions and \$905,552 in shared sales tax revenues from Medina County as capital grants and contributions; these prior year revenues have been reclassified to capital grants and contributions program revenues and shared sales taxes general revenues, respectively, to conform to presentation of these revenues for the fiscal year ended June 30, 2012.

	Change in Net Assets	
	Governmental Activities 2012	Restated Governmental Activities 2011
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,678,178	\$ 1,676,459
Operating grants and contributions	2,455,549	2,330,078
Capital grants and contributions	576,251	646,679
General revenues:		
Property taxes	12,593,766	12,218,759
School district income taxes	1,993,600	1,696,429
Grants and entitlements	10,957,774	12,897,507
Shared sales taxes	864,822	905,552
Payment in lieu of taxes	40,606	175,396
Investment earnings	23,559	9,934
Other	43,248	47,839
Total revenues	31,227,353	32,604,632

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Change in Net Assets	
	Governmental	Governmental
	Activities	Activities
	<u>2012</u>	<u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 11,962,324	\$ 14,164,397
Special	2,269,754	2,506,573
Vocational	83,899	76,026
Other	2,021,241	1,583,706
Support services:		
Pupil	1,460,324	1,431,324
Instructional staff	1,861,931	1,911,292
Board of education	26,315	30,351
Administration	1,359,310	1,660,838
Fiscal	575,141	650,179
Business	285,642	283,761
Operations and maintenance	1,963,661	2,148,165
Pupil transportation	2,353,451	2,428,736
Central	309,358	379,750
Operations of non-instructional services		
Food service operations	1,012,796	1,069,576
Community services	484,978	580,655
Extracurricular activities	802,612	906,106
Interest and fiscal charges	<u>1,884,119</u>	<u>1,833,768</u>
Total expenses	<u>30,716,856</u>	<u>33,645,203</u>
Change in net assets	510,497	(1,040,571)
Net assets at beginning of year	<u>11,301,576</u>	<u>12,342,147</u>
Net assets at end of year	<u>\$ 11,812,073</u>	<u>\$ 11,301,576</u>

Governmental Activities

Net assets of the District's governmental activities increased \$510,497. Total governmental expenses of \$30,716,856 were offset by program revenues of \$4,709,978 and general revenues of \$26,517,375. Program revenues supported 15.33% of the total governmental expenses.

The primary sources of revenue for governmental activities in fiscal year 2012 are derived from property taxes, school district income taxes and grants and entitlements. These revenue sources represent 81.80% of total governmental revenue. Property tax revenues increased slightly during 2012 due to increased collections during fiscal year 2012 and higher advances available at June 30, 2012. Operating grants and contributions increased 5.38% from fiscal year 2011 revenues, as reclassified, and capital grants and contributions decreased 10.89%, while charges for services program revenues remained consistent with the prior year.

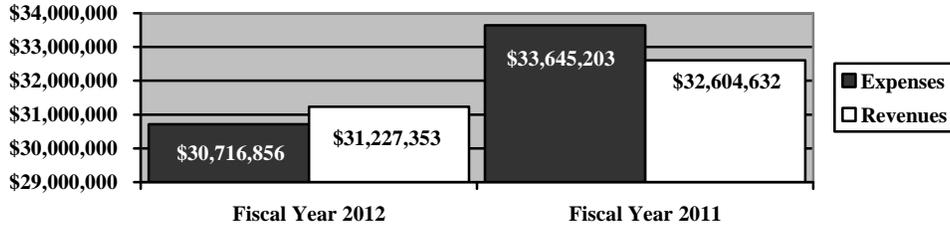
The largest expense of the District is for instructional programs. Instruction expenses totaled \$16,337,218 or 53.19% of total governmental expenses for fiscal year 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The graph below presents governmental activities revenues and expenses for fiscal year 2012 and 2011.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The net costs of services for fiscal year 2011 have been restated to exclude the effects of shared sales taxes, recognized as program revenue offsets for fiscal year 2011 but classified as general revenues for 2012.

Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Restated Net Cost of Services 2011
Program expenses				
Instruction:				
Regular	\$ 11,962,324	\$ 11,253,470	\$ 14,164,397	\$ 12,826,751
Special	2,269,754	1,014,497	2,506,573	2,269,927
Vocational	83,899	54,183	76,026	68,928
Other	2,021,241	2,021,241	1,583,706	1,433,963
Support services:				
Pupil	1,460,324	1,281,257	1,431,324	1,251,255
Instructional staff	1,861,931	1,699,305	1,911,292	1,636,284
Board of education	26,315	26,315	30,351	30,351
Administration	1,359,310	1,328,283	1,660,838	1,634,925
Fiscal	575,141	574,921	650,179	650,179
Business	285,642	285,642	283,761	283,761
Operations and maintenance	1,963,661	1,857,860	2,148,165	2,148,165
Pupil transportation	2,353,451	2,245,867	2,428,736	2,373,823
Central	309,358	300,358	379,750	363,375
Operations of non-instructional services				
Food service operations	1,012,796	17,351	1,069,576	147,656
Community services	484,978	218,124	580,655	160,181
Extracurricular activities	802,612	520,336	906,106	454,946
Interest and fiscal charges	1,884,119	1,307,868	1,833,768	1,257,517
Total expenses	<u>\$ 30,716,856</u>	<u>\$ 26,006,878</u>	<u>\$ 33,645,203</u>	<u>\$ 28,991,987</u>

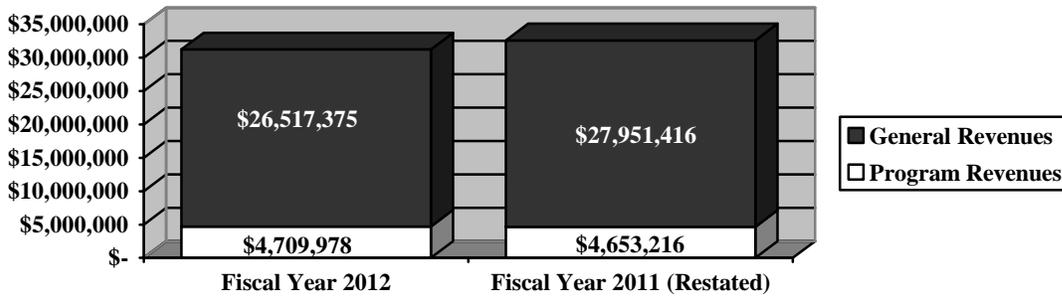
**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The District's dependence upon taxes and other general revenues for governmental activities is apparent, as 87.80% of instruction activities are supported through such revenues. For all governmental activities, general revenue support is 84.67%. The District's taxpayers, and grants and entitlements received from the State of Ohio and Medina County, are the primary support for District's students.

The graph below presents the District's governmental activities revenues for fiscal year 2012 and 2011. Fiscal year 2011 shared sales taxes, previously reported as program revenues, have been reclassified as general revenues to conform to current year presentation.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds, as presented on the balance sheet on page 15, reported a combined fund balance of \$4,578,467, which is lower than last year's fund balance of \$11,700,320. This decrease resulted from payments made from the building fund for the District's ongoing construction of a new pre-K through 4th grade school building. The schedule below indicates the District's fund balances June 30, 2012 and 2011 and the net change in those fund balances during the year.

Fund	Fund Balance (Deficit) June 30, 2012	Fund Balance (Deficit) June 30, 2011	Increase (Decrease)	Percentage Change
General	\$ (109,738)	\$ (213,868)	\$ 104,130	(48.69) %
Permanent improvement	2,526,812	1,982,589	544,223	27.45 %
Building	1,368,086	9,160,149	(7,792,063)	(85.06) %
Capital grants	938,793	1,160,467	(221,674)	(19.10) %
Other governmental	(145,486)	(389,017)	243,531	(62.60) %
Total	\$ 4,578,467	\$ 11,700,320	\$ (7,121,853)	(60.87) %

General Fund

During 2012, the District's general fund revenues were 0.06% higher than in fiscal year 2012. Revenues for property and income taxes levied by the District increased 4.64%, a result of the timing of tax collections and higher advances available to the District at June 30, 2012. Tuition and classroom fees increased 24.92% due to higher revenues during the year for open enrollment and tuition received from other school districts. The District maintained only depository accounts and repurchase agreements at June 30, 2012, but had a more highly differentiated investment portfolio in the prior year. This contributed to a \$3,252 decrease in earnings on investments in the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Charges for services decreased 14.63% due to lower recreation and community services charges to students and community members during the year; this decrease was offset in part by a 9.54% increase in extracurricular revenues.

In fiscal year 2011 the District classified payment in lieu of taxes revenue as miscellaneous revenue. Such revenues fell 76.85% from the prior year, a result of significantly lower collections from local business related to tax incremental financing agreements. Further, intergovernmental revenues recognized during 2012 fell 4.49% due in part to a reduction in tangible personal property tax reimbursements received from the State of Ohio of roughly half compared to such receipts in the prior year, while other revenues decreased \$25,729.

Overall, expenditures increased \$247,895, or 0.95%, from 2011. Expenditures for student instruction increased 4.28% due to higher tuition payments to other school districts and community schools through State foundation deductions. Non-instructional services and extracurricular expenditures decreased 18.34% and 11.07%, respectively, due to lower expenditures related to the District's recreation center and student activities, while debt service expenditures for interest on the District's tax anticipation notes, issued and retired during 2012, and support services expenditures remained consistent in dollar amount with expenditures of the prior year.

The table that follows assists in illustrating the activities of the District's general fund during fiscal year 2012.

	<u>2012</u> Amount	<u>2011</u> Amount	<u>Increase</u> (Decrease)	<u>Percentage</u> Change
<u>Revenues</u>				
Taxes	\$ 13,768,113	\$ 13,157,309	\$ 610,804	4.64 %
Tuition and classroom fees	657,010	525,936	131,074	24.92 %
Earnings on investments	6,682	9,934	(3,252)	(32.74) %
Charges for services	248,840	291,469	(42,629)	(14.63) %
Extracurricular	208,440	190,279	18,161	9.54 %
Payment in lieu of taxes	40,606	175,396	(134,790)	(76.85) %
Intergovernmental	11,457,458	11,995,622	(538,164)	(4.49) %
Other revenues	<u>144,603</u>	<u>170,332</u>	<u>(25,729)</u>	(15.11) %
Total	<u>\$ 26,531,752</u>	<u>\$ 26,516,277</u>	<u>\$ 15,475</u>	0.06 %
<u>Expenditures</u>				
Instruction	\$ 15,693,172	\$ 15,049,507	\$ 643,665	4.28 %
Support services	9,741,169	9,986,614	(245,445)	(2.46) %
Non-instructional services	372,523	456,175	(83,652)	(18.34) %
Extracurricular activities	532,863	599,161	(66,298)	(11.07) %
Debt service	<u>2,720</u>	<u>3,131</u>	<u>(411)</u>	(13.13) %
Total	<u>\$ 26,342,447</u>	<u>\$ 26,094,588</u>	<u>\$ 247,859</u>	0.95 %

Permanent Improvement Fund

The District's permanent improvement fund had \$983,793 in revenues and \$439,570 in expenditures. During fiscal year 2012, the permanent improvement fund's fund balance increased \$544,223 from a balance of \$1,982,589 to a balance of \$2,526,812.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Building Fund

The District's building fund accounts for the construction of the District's new pre-K through 4th grade facility and various building improvement projects. Construction of the new pre-K through 4th grade building is scheduled to be completed during fiscal year 2013. The building fund had \$16,877 in revenues during fiscal year 2012, consisting entirely of interest revenue; additionally, the building fund received proceeds of \$1,119,711 in general obligation bonds during fiscal year 2012 to be used for energy conservation improvements throughout the District.

The building fund had \$8,928,651 in expenditures during 2012, the entirety of which has been capitalized as construction in progress on the government-wide financial statements as of June 30, 2012. During fiscal year 2012, the building fund's fund balance decreased \$7,792,063 from a balance of \$9,160,149 to a balance of \$1,368,086. Of this balance, \$46,259 is restricted to be used for energy conservation improvements and the remainder is restricted for the construction of the pre-K through 4th grade building.

Capital Grants Fund

The District's capital grants fund had \$1,599,725 in revenues and \$1,821,399 in expenditures. The District receives capital grant revenue from a sales tax approved by Medina County voters and distributed to school districts based on an allocation from the County's Community Improvement Board. The District also receives interest payment subsidies from the federal government to reimburse the District for interest paid on the District's series 2009B certificates of participation which consist of build America bonds. During 2012, the District recognized \$1,821,399 in expenditures for interest payments on the District's certificates of participation. The capital grant fund's fund balance decreased \$221,674 from a balance of \$1,160,467 to a balance of \$938,793.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$22,821,131 and were increased to \$24,956,142 in the final budget. Actual revenues and other financing sources for fiscal year 2012 were \$25,040,551. This represents an \$84,409 increase over budgeted revenues.

General fund original appropriations and other financing uses were \$24,061,119, which were increased during the year to \$25,878,034. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$25,352,534 and were \$525,500 below final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$34,583,428 invested in land, construction in progress, land improvements, buildings and improvements, equipment and furniture and vehicles. This entire amount is reported in the District's governmental activities.

The overall increase in the District's capital assets of \$8,608,550 is due to capital outlays of \$9,199,695 exceeding depreciation expense of \$590,255 and dispositions with a net book value of \$890 during fiscal year 2012. Additions to construction in progress during 2012 totaled \$8,928,651 and were related to the energy conservation improvements throughout the District and the construction of a new pre-K through 4th grade building.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The following table shows the balances of the District's capital assets at June 30, 2012 compared to June 30, 2011.

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

	Governmental Activities	
	2012	2011
Land	\$ 560,085	\$ 560,085
Land improvements	790,303	879,566
Building and improvements	7,823,307	8,068,635
Furniture and equipment	383,925	393,193
Vehicles	775,123	736,688
Construction in progress	24,250,685	15,336,711
Total	<u>\$ 34,583,428</u>	<u>\$ 25,974,878</u>

See Note 10 to the basic financial statements for additional information regarding the District's capital assets.

Debt Administration

At June 30, 2012, the District had \$25,660,000 in certificates of participation and \$1,140,000 in general obligation energy conservation bonds outstanding. Of this total, \$65,000 is due within one year and \$26,735,000 is due in greater than one year. The following table summarizes the District's outstanding long-term obligations.

Outstanding Debt, at Year End

	Governmental Activities	
	2012	2011
Certificates of participation	\$ 25,660,000	\$ 25,660,000
Energy conservation bonds	1,140,000	-
Total	<u>\$ 26,800,000</u>	<u>\$ 25,660,000</u>

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District has faced a variety of financial challenges in recent years. In order to stabilize the budget and the District's financial forecasts, management has implemented a variety of cost-cutting measures. Further, the District has been unable to gain the support of voters for a new operating levy to assist the District in serving its students.

The District will continue to strive for financial stability while attempting to minimize the impact on students. Management will continue to collaborate with the Ohio Department of Education, staff members, and the community to improve the financial condition of the Cloverleaf Local School District for the benefit of students.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. James Hudson, Treasurer, Cloverleaf Local School District, 8525 Friendsville Rd., Lodi, Ohio 44254.

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

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 6,380,790
Cash with escrow agent	310,699
Receivables:	
Property taxes	14,612,556
Income taxes.	882,448
Accounts.	5,636
Shared sales taxes	508,443
Intergovernmental	173,598
Prepayments	31,430
Unamortized issuance costs on bonds and certificates of participation.	429,180
Capital assets:	
Land and construction in progress.	24,810,770
Depreciable capital assets, net.	9,772,658
Capital assets, net	34,583,428
 Total assets.	 57,918,208
 Liabilities:	
Accounts payable.	57,988
Accrued wages and benefits	1,932,393
Contracts payable.	522,341
Retainage payable	310,699
Pension obligation payable.	591,533
Intergovernmental payable	157,119
Unearned revenue	12,579,010
Matured interest payable	122
Accrued interest payable	712,353
Loans payable	678,000
Long-term liabilities:	
Due within one year.	484,218
Due in more than one year.	28,080,359
 Total liabilities	 46,106,135
 Net Assets:	
Invested in capital assets, net of related debt.	10,068,801
Restricted for:	
Capital projects	3,965,020
Locally funded programs	310
Federally funded programs	172,356
Student activities	38,237
Unrestricted (deficit)	(2,432,651)
 Total net assets	 \$ 11,812,073

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 11,962,324	\$ 637,478	\$ 71,376	\$ -	\$ (11,253,470)
Special	2,269,754	25,311	1,229,946	-	(1,014,497)
Vocational	83,899	-	29,716	-	(54,183)
Other	2,021,241	-	-	-	(2,021,241)
Support services:					
Pupil	1,460,324	-	179,067	-	(1,281,257)
Instructional staff	1,861,931	-	162,626	-	(1,699,305)
Board of education	26,315	-	-	-	(26,315)
Administration	1,359,310	-	31,027	-	(1,328,283)
Fiscal	575,141	82	138	-	(574,921)
Business	285,642	-	-	-	(285,642)
Operations and maintenance	1,963,661	103,019	2,782	-	(1,857,860)
Pupil transportation	2,353,451	-	107,584	-	(2,245,867)
Central	309,358	-	9,000	-	(300,358)
Operation of non-instructional services:					
Food service operations	1,012,796	372,546	622,899	-	(17,351)
Community services	484,978	266,854	-	-	(218,124)
Extracurricular activities	802,612	272,888	9,388	-	(520,336)
Interest and fiscal charges	1,884,119	-	-	576,251	(1,307,868)
Total governmental activities	\$ 30,716,856	\$ 1,678,178	\$ 2,455,549	\$ 576,251	(26,006,878)
General Revenues:					
Property taxes levied for:					
General purposes					11,766,863
Capital outlay					826,903
Income taxes levied for:					
General purposes					1,993,600
Grants and entitlements not restricted to specific programs					10,957,774
Shared sales taxes					864,822
Payment in lieu of taxes					40,606
Investment earnings					23,559
Miscellaneous					43,248
Total general revenues					26,517,375
Change in net assets					510,497
Net assets at beginning of year					11,301,576
Net assets at end of year					\$ 11,812,073

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Permanent Improvement	Building	Capital Grants	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and cash equivalents	\$ 1,250,948	\$ 2,441,273	\$ 1,890,427	\$ 704,994	\$ 93,148	\$ 6,380,790
Cash with escrow agent	-	-	310,699	-	-	310,699
Receivables:						
Property taxes	13,651,406	961,150	-	-	-	14,612,556
Income taxes	882,448	-	-	-	-	882,448
Accounts	5,482	-	-	-	154	5,636
Shared sales taxes	-	-	-	508,443	-	508,443
Interfund loans	279,706	-	-	-	-	279,706
Intergovernmental	29,011	-	-	-	144,587	173,598
Prepayments	31,430	-	-	-	-	31,430
Total assets	\$ 16,130,431	\$ 3,402,423	\$ 2,201,126	\$ 1,213,437	\$ 237,889	\$ 23,185,306
Liabilities:						
Accounts payable	\$ 53,541	\$ 2,841	\$ -	\$ -	\$ 1,606	\$ 57,988
Accrued wages and benefits	1,869,119	-	-	-	63,274	1,932,393
Compensated absences payable	351,423	-	-	-	-	351,423
Contracts payable	-	-	522,341	-	-	522,341
Retainage payable	-	-	310,699	-	-	310,699
Pension obligation payable	562,642	-	-	-	28,891	591,533
Intergovernmental payable	150,930	-	-	-	6,189	157,119
Unearned revenue	11,753,590	825,420	-	-	-	12,579,010
Deferred revenue	820,924	47,350	-	274,644	3,587	1,146,505
Interfund loans payable	-	-	-	-	279,706	279,706
Matured interest payable	-	-	-	-	122	122
Loans payable	678,000	-	-	-	-	678,000
Total liabilities	16,240,169	875,611	833,040	274,644	383,375	18,606,839
Fund Balances:						
Nonspendable:						
Prepayments	31,430	-	-	-	-	31,430
Restricted:						
Debt service	-	-	-	-	289	289
Capital improvements	-	2,526,812	1,368,086	938,793	-	4,833,691
Special education	-	-	-	-	74,560	74,560
Targeted academic assistance	-	-	-	-	94,209	94,209
Other purposes	-	-	-	-	310	310
Extracurricular activities	-	-	-	-	38,237	38,237
Unassigned (deficit)	(141,168)	-	-	-	(353,091)	(494,259)
Total fund balances (deficit)	(109,738)	2,526,812	1,368,086	938,793	(145,486)	4,578,467
Total liabilities and fund balances	\$ 16,130,431	\$ 3,402,423	\$ 2,201,126	\$ 1,213,437	\$ 237,889	\$ 23,185,306

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$ 4,578,467
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		34,583,428
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 715,156	
Income taxes receivable	124,107	
Shared sales taxes receivable	274,644	
Intergovernmental receivable	32,598	
Total		1,146,505
Unamortized issuance costs on bonds and certificates of participation are not recognized in the funds.		429,180
Unamortized discounts on certificates of participation are not recognized in the funds.		619,269
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(712,353)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Certificates of participation payable	(25,660,000)	
Energy conservation bonds payable	(1,140,000)	
Compensated absences	(2,032,423)	
Total		(28,832,423)
Net assets of governmental activities		\$ 11,812,073

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>Building</u>	<u>Capital Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
From local sources:						
Property taxes	\$ 11,784,109	\$ 828,389	\$ -	\$ -	\$ -	\$ 12,612,498
Income taxes	1,984,004	-	-	-	-	1,984,004
Payment in lieu of taxes	40,606	-	-	-	-	40,606
Tuition	525,940	-	-	-	-	525,940
Earnings on investments	6,682	-	16,877	-	-	23,559
Charges for services	248,840	-	-	-	374,292	623,132
Extracurricular	208,440	-	-	-	88,241	296,681
Classroom materials and fees	131,070	-	-	-	-	131,070
Rental income	101,355	-	-	-	-	101,355
Contributions and donations	11,876	-	-	-	9,388	21,264
Shared sales taxes	-	-	-	1,023,474	-	1,023,474
Other local revenues	31,372	-	-	-	1,450	32,822
Intergovernmental - intermediate	-	-	-	-	71,820	71,820
Intergovernmental - State	11,408,588	155,404	-	-	18,938	11,582,930
Intergovernmental - federal	48,870	-	-	576,251	1,706,134	2,331,255
Total revenues	<u>26,531,752</u>	<u>983,793</u>	<u>16,877</u>	<u>1,599,725</u>	<u>2,270,263</u>	<u>31,402,410</u>
Expenditures:						
Current:						
Instruction:						
Regular	11,776,091	72,108	-	-	91,991	11,940,190
Special	1,814,658	-	-	-	443,298	2,257,956
Vocational	80,322	-	-	-	-	80,322
Other	2,022,101	-	-	-	-	2,022,101
Support services:						
Pupil	1,274,856	-	-	-	182,929	1,457,785
Instructional staff	1,684,819	-	-	-	171,059	1,855,878
Board of education	26,315	-	-	-	-	26,315
Administration	1,538,285	1,800	-	-	31,581	1,571,666
Fiscal	571,342	15,570	15	-	223	587,150
Business	285,492	-	-	-	-	285,492
Operations and maintenance	1,910,493	24,083	-	-	4,504	1,939,080
Pupil transportation	2,144,177	242,095	-	-	-	2,386,272
Central	305,390	-	-	-	9,000	314,390
Operation of non-instructional services:						
Food service operations	-	-	-	-	1,008,408	1,008,408
Community services	372,523	17,264	-	-	-	389,787
Extracurricular activities	532,863	-	-	-	169,203	702,066
Facilities acquisition and construction	-	51,288	8,928,636	-	-	8,979,924
Debt service:						
Interest and fiscal charges	2,720	15,362	-	1,821,399	-	1,839,481
Bond issuance costs	-	-	-	-	20,000	20,000
Total expenditures	<u>26,342,447</u>	<u>439,570</u>	<u>8,928,651</u>	<u>1,821,399</u>	<u>2,132,196</u>	<u>39,664,263</u>
Excess (deficiency) of revenues over (under) expenditures	<u>189,305</u>	<u>544,223</u>	<u>(8,911,774)</u>	<u>(221,674)</u>	<u>138,067</u>	<u>(8,261,853)</u>
Other financing sources (uses):						
Sale of bonds	-	-	1,119,711	-	20,289	1,140,000
Transfers in	-	-	-	-	85,175	85,175
Transfers (out)	(85,175)	-	-	-	-	(85,175)
Total other financing sources (uses)	<u>(85,175)</u>	<u>-</u>	<u>1,119,711</u>	<u>-</u>	<u>105,464</u>	<u>1,140,000</u>
Net change in fund balances	104,130	544,223	(7,792,063)	(221,674)	243,531	(7,121,853)
Fund balances at beginning of year (deficit).	<u>(213,868)</u>	<u>1,982,589</u>	<u>9,160,149</u>	<u>1,160,467</u>	<u>(389,017)</u>	<u>11,700,320</u>
Fund balances at end of year (deficit)	<u>\$ (109,738)</u>	<u>\$ 2,526,812</u>	<u>\$ 1,368,086</u>	<u>\$ 938,793</u>	<u>\$ (145,486)</u>	<u>\$ 4,578,467</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ (7,121,853)

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 those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.

Capital asset additions	\$ 9,199,695	
Current year depreciation	(590,255)	
Total		8,609,440

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.

(890)

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

Property taxes	(18,732)	
Income taxes	9,596	
Shared sales taxes	(158,652)	
Intergovernmental	(7,269)	
Miscellaneous	11,706	
Total		(163,351)

The issuance of bonds is recorded as an other financing source on the fund financial statements; however, in the statement of activities, it is not reported as an other financing source as it increases liabilities on the statement of net assets.

(1,140,000)

Issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities.

20,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

(Increase) in accrued interest payable	(4,032)	
Amortization of issuance costs	(16,788)	
Amortization of discounts	(23,818)	
Total		(44,638)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

351,789

Change in net assets of governmental activities \$ 510,497

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 9,025,779	\$ 9,077,235	\$ 9,077,235	\$ -
Income taxes	1,961,572	1,953,000	1,989,763	36,763
Tuition	379,041	568,000	525,940	(42,060)
Earnings on investments	9,807	10,000	6,682	(3,318)
Extracurricular	156,814	153,000	159,598	6,598
Classroom materials and fees	131,414	137,000	135,517	(1,483)
Other local revenues	65,707	73,999	65,938	(8,061)
Intergovernmental - State	10,741,878	10,949,658	11,037,696	88,038
Intergovernmental - federal	13,730	13,000	17,735	4,735
Total revenues	22,485,742	22,934,892	23,016,104	81,212
Expenditures:				
Current:				
Instruction:				
Regular	18,653,286	18,978,525	9,129,048	9,849,477
Special	289,666	278,915	1,875,402	(1,596,487)
Vocational	-	-	71,611	(71,611)
Other	1,684,275	2,153,074	2,124,184	28,890
Support services:				
Pupil	302,551	325,840	1,304,110	(978,270)
Instructional staff	170,499	173,802	1,710,771	(1,536,969)
Board of education	14,513	14,475	26,318	(11,843)
Administration	233,338	230,106	1,694,062	(1,463,956)
Fiscal	296,292	261,481	541,915	(280,434)
Business	262,142	262,800	300,482	(37,682)
Operations and maintenance	907,359	924,705	2,072,086	(1,147,381)
Pupil transportation	629,920	656,866	2,235,918	(1,579,052)
Central	232,813	230,271	310,939	(80,668)
Operation of non-instructional services	4,111	4,100	55,900	(51,800)
Extracurricular activities	300	300	532,187	(531,887)
Debt service:				
Principal retirement	-	1,000,000	1,000,000	-
Interest and fiscal charges	-	2,720	2,720	-
Total expenditures	23,681,065	25,497,980	24,987,653	510,327
Excess of expenditures over revenues	(1,195,323)	(2,563,088)	(1,971,549)	591,539
Other financing sources (uses):				
Refund of prior year's expenditures	68,649	75,000	76,072	1,072
Sale of capital assets	490	2,000	4,125	2,125
Proceeds from sale of tax anticipation notes	-	1,000,000	1,000,000	-
Transfers (out)	(90,000)	(90,000)	(85,175)	4,825
Advances in	266,250	266,250	266,250	-
Advances (out)	(290,054)	(290,054)	(279,706)	10,348
Advance from State solvency assistance fund	-	678,000	678,000	-
Total other financing sources (uses)	(44,665)	1,641,196	1,659,566	18,370
Net change in fund balance	(1,239,988)	(921,892)	(311,983)	609,909
Fund balance at beginning of year	873,004	873,004	873,004	-
Prior year encumbrances appropriated	100,710	100,710	100,710	-
Fund balance (deficit) at end of year	\$ (266,274)	\$ 51,822	\$ 661,731	\$ 609,909

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 25,560	\$ 54,093
Receivables:		
Accounts	-	140
Total assets.	25,560	\$ 54,233
Liabilities:		
Accounts payable.	1,000	\$ 6,183
Due to students.	-	48,050
Total liabilities	1,000	\$ 54,233
Net assets:		
Held in trust for scholarships	24,560	
Total net assets	\$ 24,560	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 9,075
Total additions.	9,075
Deductions:	
Scholarships awarded	18,170
Change in net assets.	(9,095)
Net assets at beginning of year	33,655
Net assets at end of year.	\$ 24,560

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE DISTRICT

The Cloverleaf Local District (the "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 District is a local District as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. The District employs 173 certificated employees, 150 non-certificated employees and 21 administrators who provide services to approximately 2,891 students.

On January 24, 2012, the District was declared to be in a state of "Fiscal Emergency" by the Auditor of State under section 3316.03B(5), Revised Code. In accordance with the law, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the District. The Commission is comprised of two appointees of the State Superintendent of Public Instruction, an appointee of the State Director of the Office of Budget and Management, an appointee of the Governor, and an appointee of the Medina County Auditor. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. Once the plan is adopted, the Board of Education's discretion is limited in that all financial activity of the District must be in accordance with the plan. The recovery plan was adopted on June 5, 2012. It is updated annually according to State law. Staffing levels will be monitored and adjusted once enrollment is known for the 2012-2013 school year. The School District will also monitor spending in areas it can exercise more discretion.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEONet)

NEONet was established as a jointly governed organization among sixteen school districts and the Summit County Educational Service Center that was formed July 1, 1995. NEONet was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to improve administrative and instructional functions of member districts. NEONet has since been restructured and organized as a council of governments (COG) under Ohio Revised Code 3301.075 and Chapter 167. The new COG is called the Metropolitan Regional Service Council. The Council serves several program functions for the nineteen school district members, such as NEONet ITC functions and as a collaborative purchasing agent. The Council is self supporting and conducts its fiscal services in house with a licensed treasurer.

The Council employs an Executive Director who works cooperatively with a seven-member Board of Directors consisting of four superintendents, the ESC superintendent, one member of the treasurers' committee and one member of the technology committee. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of NEONet including budgeting, appropriating, contracting and designating management. All revenues are generated from State funding and an annual fee per student to participating districts. The Metropolitan Regional Services Council and NEONet are located at 700 Graham Road, Cuyahoga Falls, Ohio 44221. During the current fiscal year, the District contributed \$87,051 to NEONet.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Ohio Schools Council of Governments

The Ohio Schools Council is a jointly governed organization among fourteen districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service and insurance. Each member provided operating resources to Ohio Schools Council on a per pupil or actual usage charge except for insurance. The Ohio Schools Council assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. A board of directors chosen from the general membership governs Ohio Schools Council. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Ohio Schools Council located at 6376 Mill Road, Broadview Heights, Ohio, 44147. During fiscal year 2012, the District paid \$1,130 to the Ohio Schools Council.

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 District and its operations are not included as part of the reporting entity. During fiscal year 2012, the District paid \$7,967 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.

PUBLIC ENTITY RISK POOLS

Stark County Schools Council of Governments

The Stark County Schools Council of Governments (the "Council") is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program which is a shared risk pool comprised of 69 entities, most of which are school districts.

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Basis of Presentation

The 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the 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 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 District.

Fund Financial Statements

During the year, the District segregates transactions related to certain 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 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.

C. Fund Accounting

The 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 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 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 District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Permanent improvement fund - The permanent improvement fund is used to account for financial resources that are restricted 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 are restricted for the costs of acquiring capital facilities including real property.

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.

Other governmental funds of the District are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (b) financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust 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 District's agency fund accounts for student activities.

D. 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 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

E. 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. 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 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 District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the 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 (See Note 6A). Income taxes are recognized as revenue on the accrual basis in the period in which income is earned (See Note 6B). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On a modified accrual basis, revenue from non-exchange 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.

Unearned Revenue and Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue on the fund financial statements.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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.

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Although the legal level of budgeting control was established at the fund level of expenditures for the general fund, the District has elected to present its respective budgetary statement comparison at the fund and function level of expenditures. 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 2012. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

G. Cash and Investments

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented on the statement of net assets in the account, "equity in pooled cash and cash equivalents". During the current fiscal year investments were limited to overnight repurchase agreements. All investments of the 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. Interest revenues credited to the general fund during fiscal year 2012 amounted to \$6,682 which includes \$5,320 assigned from other District funds.

The 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 with escrow agent" since they are not required to be deposited into the District's treasury.

H. Inventories and Prepayments

Inventories are stated at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the government-wide and fund financial statements. The District had no inventory at June 30, 2012.

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

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 District maintains a capitalization threshold of five thousand dollars and greater than five years useful life. The 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 District to not capitalize interest costs incurred as part of construction.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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>Useful Lives</u>
Land Improvements	5 - 20 years
Buildings	30 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 20 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable." 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 District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the 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 "compensated absences 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 bonds and certificates of participation are recognized as a liability on the governmental fund financial statements when due.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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 District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Interfund Transactions

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

P. Estimates

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

Q. Deferred Charges and Unamortized Discount of Certificates of Participation

On government-wide financial statements, bond and certificates of participation issuance costs are deferred and amortized over the term of the certificates of participation using the straight-line method, which approximates the effective interest method.

Discounts on certificates of participation 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 bonds and certificates of participation issued are recognized in the current period.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
General	\$ 109,738
<u>Nonmajor governmental fund</u>	
Food service	353,091

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
8. 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,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash with Escrow Agent

At fiscal year end, \$310,699 was on deposit with an escrow agent for retainage held as part of the District's construction contracts. This amount is included in the total amount of deposits reported below and is reported on the financial statements as "cash with escrow agent".

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$3,811,142. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", \$3,554,771 of the District's bank balance of \$4,213,209 was exposed to custodial risk, while \$658,438 was covered by the FDIC as discussed below.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

At June 30, 2012, the District had the following investments and maturities:

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
Repurchase agreement	\$ 2,960,000	\$ 2,960,000

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

Credit Risk: The District's investment policy requires certain credit ratings for some investments as allowed by State law. The federal agency securities that underlie the District's repurchase agreement were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Service, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$2,960,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 2,960,000	100.00

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets at June 30, 2012:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 3,811,142
Investments	<u>2,960,000</u>
Total	<u>\$ 6,771,142</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,691,489
Private-purpose trust fund	25,560
Agency fund	<u>54,093</u>
Total	<u>\$ 6,771,142</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2012 as reported on the fund statements, consist of the following individual interfund loan receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 279,706</u>

The primary purpose of the interfund balance is to cover costs in the food service fund (a nonmajor governmental fund) where revenues were not received by June 30. The interfund balance will be repaid once the anticipated revenues are received. The interfund balance is expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the statement of net assets.

- B.** Interfund transfers for the fiscal year ended June 30, 2012 consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 85,175</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 6 - TAXES

A. Property Taxes

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Medina County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$1,230,010 in the general fund and \$88,380 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$1,043,660 in the general fund and \$74,820 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - TAXES - (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 469,579,950	98.28	\$ 472,280,260	98.19
Public utility personal	<u>8,226,990</u>	<u>1.72</u>	<u>8,683,580</u>	<u>1.81</u>
Tangible personal property				
Total	<u>\$ 477,806,940</u>	<u>100.00</u>	<u>\$ 480,963,840</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$47.66		\$55.40

B. Income Taxes

During fiscal year 2007, voters within the District passed a one-half percent school district income tax levy to be collected on earned income. Employers of residents are required to withhold income taxes and remit the tax to the State. The State distributes income taxes to the District, net of withholdings for administrative fees and estimated refunds; in the governmental fund financial statements, income tax revenues credited to the general fund during fiscal year 2012 amounted to \$1,984,004.

NOTE 7 - PAYMENT IN LIEU OF TAXES

The District has entered into a tax incremental financing agreement with local companies for the purpose of various improvements and developments. To encourage these improvements, the company was granted an exemption from paying property taxes on the improvements and developments; however, payments in lieu of taxes are made to the District in an amount equal to the property taxes that otherwise would have been due in the current year. These payments are being used to finance the District's operations. The District recognized payment in lieu of taxes revenue of \$40,606 during fiscal year 2012.

NOTE 8 - SHARED SALES TAX REVENUE

During 2007, the voters of Medina County passed an additional one-half percentage tax to be used for capital improvements at all school districts within the County. Collection began in October 2007. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The County then allocates this tax to the school districts within the County based on the student enrollment number. During fiscal year 2012, the District recorded shared sales taxes revenue of \$1,023,474 in the capital grants fund.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2012 consisted of property taxes, income taxes, accounts, shared sales taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - RECEIVABLES - (Continued)

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 14,612,556
Income taxes	882,448
Accounts	5,636
Shared sales taxes	508,443
Intergovernmental	<u>173,598</u>
Total	<u>\$ 16,182,681</u>

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

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Construction in progress	\$ 15,336,711	\$ 8,928,651	\$ (14,677)	\$ 24,250,685
Land	<u>560,085</u>	-	-	<u>560,085</u>
Total capital assets, not being depreciated	<u>15,896,796</u>	<u>8,928,651</u>	<u>(14,677)</u>	<u>24,810,770</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,135,773	-	-	2,135,773
Buildings and improvements	16,293,023	23,703	-	16,316,726
Furniture and equipment	1,848,063	50,420	(6,491)	1,891,992
Vehicles	<u>2,230,396</u>	<u>211,598</u>	<u>(111,200)</u>	<u>2,330,794</u>
Total capital assets, being depreciated	<u>22,507,255</u>	<u>285,721</u>	<u>(117,691)</u>	<u>22,675,285</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,256,207)	(89,263)	-	(1,345,470)
Buildings and improvements	(8,224,388)	(269,031)	-	(8,493,419)
Furniture and equipment	(1,454,870)	(58,798)	5,601	(1,508,067)
Vehicles	<u>(1,493,708)</u>	<u>(173,163)</u>	<u>111,200</u>	<u>(1,555,671)</u>
Total accumulated depreciation	<u>(12,429,173)</u>	<u>(590,255)</u>	<u>116,801</u>	<u>(12,902,627)</u>
Total capital assets, being depreciated net	<u>10,078,082</u>	<u>(304,534)</u>	<u>(890)</u>	<u>9,772,658</u>
Governmental activities capital assets, net	<u>\$ 25,974,878</u>	<u>\$ 8,624,117</u>	<u>\$ (15,567)</u>	<u>\$ 34,583,428</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 134,235
Special	1,666
Vocational	3,248
<u>Support services:</u>	
Instructional staff	2,196
Administration	4,871
Operations and maintenance	38,617
Pupil transportation	173,423
Central	410
Community services	125,633
Extracurricular	99,693
Food service operations	<u>6,263</u>
Total depreciation expense	<u>\$ 590,255</u>

NOTE 11 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during the year consist of the following:

	Balance 6/30/11	Increases	Decreases	Balance 6/30/12	Amount Due in One Year
<u>Governmental activities:</u>					
Certificates of Participation					
Series 2009A certificates	\$ 3,845,000	\$ -	\$ -	\$ 3,845,000	\$ -
Series 2009B certificates	21,815,000	-	-	21,815,000	-
Discount on certificates of participation	(643,087)	-	23,818	(619,269)	-
Energy conservation bonds	-	1,140,000	-	1,140,000	65,000
Compensated absences payable	<u>2,384,212</u>	<u>365,289</u>	<u>(365,655)</u>	<u>2,383,846</u>	<u>419,218</u>
Total governmental activities long-term liabilities	<u>\$ 27,401,125</u>	<u>\$ 1,505,289</u>	<u>\$ (341,837)</u>	<u>\$ 28,564,577</u>	<u>\$ 484,218</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid. For the District, these are primarily the general fund and the food service fund (a nonmajor governmental fund).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Certificates of Participation (COPs): During fiscal year 2010, the District entered into a lease-purchase agreement for the construction of a Pre-K to fourth grade school building. The 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 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 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 District is to renew the lease annually.

The certificates of participation sold through the lease agreement are comprised of tax-exempt series 2009A coupons, par value \$3,845,000, and series 2009B federally taxable Build America Bonds, par value \$21,815,000. The series 2009A coupons mature on March 1, 2025 with payments beginning on March 1, 2015 and the series 2009B Build America Bonds mature on March 1, 2038 with payments beginning on March 1, 2026.

As of June 30, 2012, the District had unspent proceeds of \$1,190,665 from the issuance of certificates of participation; these funds will be capitalized as disbursed. There were no principal payments made in fiscal year 2012. The next principal payment is due March 1, 2015. Payments will be made on the lease from the capital grants fund.

Future principal and interest requirements to retire the general obligation debt outstanding at June 30, 2012 were as follows:

Fiscal Year Ending	Certificates of Participation - Series 2009A			Certificates of Participation - Series 2009B		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ -	\$ 174,968	\$ 174,968	\$ -	\$ 1,646,431	\$ 1,646,431
2014	-	174,968	174,968	-	1,646,431	1,646,431
2015	30,000	174,968	204,968	-	1,646,431	1,646,431
2016	75,000	173,993	248,993	-	1,646,431	1,646,431
2017	125,000	171,368	296,368	-	1,646,431	1,646,431
2018 - 2022	1,605,000	725,180	2,330,180	-	8,232,156	8,232,156
2023 - 2027	2,010,000	200,925	2,210,925	1,920,000	8,166,150	10,086,150
2028 - 2032	-	-	-	6,245,000	6,696,681	12,941,681
2033 - 2037	-	-	-	10,750,000	3,778,256	14,528,256
2038	-	-	-	2,900,000	224,750	3,124,750
Total	\$ 3,845,000	\$ 1,796,370	\$ 5,641,370	\$ 21,815,000	\$ 35,330,148	\$ 57,145,148

Series 2011 General Obligation Energy Conservation Bonds: During fiscal year 2012, the District issued \$1,140,000 in general obligation bonds to provide financing for various construction projects to improve energy conservation. The issue is comprised of current interest bonds, par value \$1,140,000. The interest rates on the current interest bonds are 3.49%. Interest payments on the current interest bonds are due on March 1 and September 1 of each year. The final maturity stated in the issue is September 1, 2026. As of June 30, 2012, the District had \$46,259 in unspent proceeds from the general obligation energy conservation bonds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2011 general obligation energy conservation bonds:

Fiscal Year Ending June 30,	<u>2011 General Obligation Energy Conservation Bonds</u>		
	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 65,000	\$ 38,652	\$ 103,652
2014	60,000	36,471	96,471
2015	65,000	34,289	99,289
2016	65,000	32,021	97,021
2017	70,000	29,665	99,665
2018 - 2022	370,000	110,808	480,808
2023 - 2027	445,000	39,699	484,699
Total	<u>\$ 1,140,000</u>	<u>\$ 321,605</u>	<u>\$ 1,461,605</u>

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012 are a voted debt margin of \$43,287,035, including available funds of \$289, an unvoted debt margin of \$480,964 and an energy conservation debt margin of \$3,188,675.

NOTE 12 - NOTES AND LOANS PAYABLE

On January 1, 2012, the District issued \$1,000,000 in tax anticipation notes with an effective interest rate of 1.21%. The tax anticipation notes were retired in full prior to year end upon the property first tax settlement of calendar year 2012. These notes were issued in order to meet current cash flow needs.

On April 30, 2012, the District received an interest-free advance from the State solvency assistance fund in the amount of \$678,000. This loan will be repaid from the general fund with school foundation revenue. A liability for the loan is reflected in the balance of loans payable in the general fund, the fund which received the proceeds, and on the government-wide statement of net assets. The District will pay \$339,000 per year during fiscal years 2013 and 2014 to repay the loan to the State Solvency Assistance Fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - NOTES AND LOANS PAYABLE - (Continued)

A summary of short-term debt activity during fiscal year 2012 is as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>6/30/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/12</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Tax Anticipation Notes	\$ -	\$ 1,000,000	\$ (1,000,000)	\$ -	\$ -
Loan from State Solvency Assistance Fund	-	<u>678,000</u>	-	<u>678,000</u>	<u>339,000</u>
Total governmental activities long-term liabilities	<u>\$ -</u>	<u>\$ 1,678,000</u>	<u>\$ (1,000,000)</u>	<u>\$ 678,000</u>	<u>\$ 339,000</u>

NOTE 13 - RISK MANAGEMENT

The 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 in the past three years nor has insurance coverage been significantly reduced from prior year.

The District has contracted with Stark County Schools Council of Governments to provide medical/surgical, dental, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The Stark County Schools Council of Governments is a shared risk pool comprised of seventy-four members. The districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating Districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

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 Districts' claims would be paid without regard to their individual account balances. The Stark County Schools Council of Governments' Board of Directors has authority to return monies to an existing District subsequent to the settlement of all claims and expenses.

During fiscal year 2012, the District was 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 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
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$522,184, \$471,392 and \$650,444, respectively; 62.30 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 14 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,626,132, \$1,666,451 and \$1,559,741, respectively; 84.33 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$48,806 made by the District and \$34,861 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$85,164, \$149,963 and \$123,892, respectively; 62.30 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$30,838, \$30,335 and \$38,681, respectively; 62.30 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$125,087, \$128,189 and \$119,980, respectively; 84.33 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance to the extent of available fund balance for the portion of outstanding encumbrances not already recognized as accounts payable (GAAP basis);
- (d) Advances-in, advances-out and short-term financing activities are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (311,983)
Net adjustment for revenue accruals	168,724
Net adjustment for expenditure accruals	1,814,247
Net adjustment for other sources/uses	(1,744,741)
Funds budgeted elsewhere	(22,262)
Adjustment for encumbrances	200,145
GAAP basis	<u>\$ 104,130</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the recreation fund, the emergency levy fund and the public school support fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 17 - CONTINGENCIES

A. Grants and Enrollment

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The 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. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

NOTE 18 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 18 - SET-ASIDES - (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	506,152
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(506,152)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2012, the District had contractual commitments related to the construction of new facilities and energy conservation project. The amount for each significant contractor is as follows:

Contractor	Contract Amount	Amount Paid June 30, 2012	Amount Remaining
ABC Piping Company	\$ 2,481,465	\$ 2,435,600	\$ 45,865
Ameresco, Inc.	1,119,711	1,069,457	50,254
G.E. Baker Construction	1,122,474	1,087,127	35,347
Hi-Tech Electric, LLC	2,093,917	2,048,127	45,790
Lang Masonry Contractors	2,104,298	2,046,545	57,753
Martin Public Seating, Inc.	685,201	683,988	1,213
Metzger-Gleisinger	1,217,368	1,117,319	100,049
Parsons Concrete Contractors	959,877	933,617	26,260
Ruhlin Construction	1,342,000	1,325,850	16,150
Southeast Security Corp.	482,147	475,399	6,748
Summit Construction	3,181,958	3,095,797	86,161
The Knoch Company	5,872,129	5,530,402	341,727
Then Design Architecture	1,399,628	1,385,632	13,996
Total	<u>\$ 24,062,173</u>	<u>\$ 23,234,860</u>	<u>\$ 827,313</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 20 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. To the extent of available fund balance, encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 134,117
Building fund	885,530
Nonmajor governmental funds	<u>4,957</u>
Total	<u>\$ 1,024,604</u>

NOTE 21 - SUBSEQUENT EVENTS

Following the fiscal year ended June 30, 2012, James Hudson became Treasurer of the District replacing Mary Workman.

The District placed a 6.9-mil ten year emergency operating levy before voters on November 6, 2012. The levy was defeated by voters by a margin of approximately 6.67%.

SUPPLEMENTARY DATA

**CLOVERLEAF LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Grant Cluster				
(D) (C) School Breakfast Program	10.553	2012	\$ 154,078	\$ 154,078
(D) (C) National School Lunch Program	10.555	2012	425,203	425,203
(D) (E) National School Lunch Program - Food Donation	10.555	2012	51,284	51,284
Total National School Lunch Program			<u>476,487</u>	<u>476,487</u>
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			<u>630,565</u>	<u>630,565</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(G) Title I Grants to Local Educational Agencies	84.010	2011	89,483	93,095
(G) Title I Grants to Local Educational Agencies	84.010	2012	284,866	260,753
Total Title I Grants to Local Educational Agencies			<u>374,349</u>	<u>353,848</u>
Special Education Grant Cluster:				
(F) Special Education_Grants to States	84.027	2011	69,918	91,940
(F) Special Education_Grants to States	84.027	2012	534,654	512,741
Total Special Education_Grants to States			<u>604,572</u>	<u>604,681</u>
(F) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	-	3,315
(F)(G) Special Education_Preschool Grants	84.173	2011	(3)	-
(F)(G) Special Education_Preschool Grants	84.173	2012	11,307	11,308
Total Special Education_Preschool Grants			<u>11,304</u>	<u>11,308</u>
Total Special Education Grant Cluster			<u>615,876</u>	<u>619,304</u>
(G) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395A	2011	(183)	-
(G) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395A	2012	16,760	16,759
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act			<u>16,577</u>	<u>16,759</u>
Education Jobs Fund	84.410	2012	13,451	13,451
Educational Technology State Grants	84.318	2012	2,684	2,684
Improving Teacher Quality State Grants	84.367	2011	10,348	12,940
Improving Teacher Quality State Grants	84.367	2012	86,364	78,436
Total Improving Teacher Quality State Grants			<u>96,712</u>	<u>91,376</u>
Total U.S. Department of Education			<u>1,119,649</u>	<u>1,097,422</u>
Total Federal Financial Assistance			<u>\$ 1,750,214</u>	<u>\$ 1,727,987</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass-through numbers for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of breakfasts and lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child 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 "Special Education Grant Cluster" when determining major programs.
- (G) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2012, the ODE authorized the following transfers

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395A	2011	\$ 183	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395A	2012		\$ 183
Special Education_Preschool Grants	84.173	2011	3	
Special Education_Preschool Grants	84.173	2012		3
Title I Grants to Local Educational Agencies	84.010	2011	507	
Title I Grants to Local Educational Agencies	84.010	2012		507
Totals			<u>\$ 693</u>	<u>\$ 693</u>



Julian & Grube, Inc.
Serving Ohio Local Governments

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

**Independent Accountants' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *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 the Cloverleaf Local School District, Medina County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Cloverleaf Local School District's basic financial statements and have issued our report thereon dated January 11, 2013. 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 the 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 the Cloverleaf Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider a significant deficiency in internal control over financial reporting. We consider finding 2012-CLSD-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Education
Cloverleaf Local School District

Compliance and Other Matters

As part of reasonably assuring whether the 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 directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the Cloverleaf Local School District's management in a separate letter dated January 11, 2013.

Cloverleaf Local School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management and the Board of Education of the Cloverleaf Local School District, federal awarding agencies and pass-through entities, and others within the 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.
January 11, 2013



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required by 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 the 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 could directly and materially affect each of Cloverleaf Local School District's major federal programs for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Cloverleaf Local School District's major federal programs. The 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 opine on the Cloverleaf Local School District's compliance based on our audit.

Our compliance audit followed 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*. These 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 the Cloverleaf Local School District's compliance with these 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 the Cloverleaf Local School District's compliance with these requirements.

In our opinion, the Cloverleaf Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion over compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and responses lists this instance as finding 2012-CLSD-002.

Board of Education
Cloverleaf Local School District

Internal Control Over Compliance

The 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 the Cloverleaf Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Cloverleaf Local School District's internal control over compliance.

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 was not designed to 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings and responses as item 2012-CLSD-002. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Cloverleaf Local School District's response to the finding we identified is described in the accompanying schedule of findings and responses. We did not audit the Cloverleaf Local School District's response and, accordingly, we express no opinion on it.

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



Julian & Grube, Inc.
January 11, 2013

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	Yes
<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>	Yes
<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>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grant Cluster: Special Education Grants to States, CFDA #84.027, ARRA-Special Education Grants to States, Recovery Act, CFDA #84.391 and Special Education Preschool Grants, CFDA #84.173, Title I Grants to Local Educational Agencies, CFDA #84.010
<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 AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-CLSD-001

Significant Deficiency - Financial Statement Presentation

Accurate financial reporting is an important part of the District's overall purpose. Financial reporting requires internal controls in place to help ensure accuracy of reporting.

The following material adjustments were necessary to properly state the District's financial statements for the fiscal year ended June 30, 2012:

Building Fund and Governmental Activities:

An adjustment was necessary to increase contracts payable and facilities acquisition and construction in the amount of \$452,523 to properly account for the liability and expenditures related to construction completed prior to June 30, 2012 in the Building Fund, a major capital projects fund. A similar adjustment was necessary to increase land and construction in progress in the amount of \$452,523 in governmental activities to account for the related capital asset addition.

The audited financial statements and related note disclosure have been adjusted for the misstatements above. The presentation of materially correct financial statements and related footnotes is the responsibility of management.

We recommend that the District implement control procedures that enable management to prevent or detect and timely correct potential misstatements in the financial statements and footnotes. This will result in more accurate financial reporting of the District's activities.

Client's Response: The District had turnover at the Treasurer's position. The District will implement control procedures during fiscal year 2013.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2012-CLSD-002
CFDA Title and Number	Special Education Grant Cluster: Special Education_Grants to States CFDA #84.027, ARRA - Special Education_Grants to States, Recovery Act, CFDA #84.391 and Special Education Preschool Grants, CFDA #84.173
Federal Award Number/Year	2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Significant Deficiency

34 CFR 300.303 requires reevaluations of students qualifying for special education assistance to occur at least once every 3 years. The evaluation process is described in 34 CFR 300.304.

Five out of the forty special education students examined during testing had not had reevaluations within three years. These students still participated and received special education assistance and were still on Individualized Education Programs.

The effect of this is that potentially ineligible students could be served and/or the needs of those eligible are not being properly documented.

We recommend that the District review the Code of Federal Regulations regarding special education requirements. We also recommend that the District implement additional internal controls to ensure compliance with federal and state statutes related to student reevaluations to prevent students receiving assistance to go more than three years without being reevaluated. This will help to ensure students are receiving assistance as designed by the federal program.

Client Response: The District considers compliance with all State and Federal statutes, as well as any specific Grant requirements, a serious and important matter. Consequently, additional layers of administrative monitoring regarding the completion of evaluations and re-evaluations pertinent to this audit have been implemented. Procedures now include maintenance of an additional spreadsheet/database of due dates that is updated on a weekly basis as various forms, referrals, and reports are received in the Special Services office. The various personnel responsible for completing the reporting requirements are notified on a monthly basis of upcoming deadlines that must be attended to by the building level staff. In addition, an improvement plan has been implemented to identify and to begin rectifying any additional evaluation reports that have been overlooked, with the specific intent of bringing manageable numbers into compliance on a month-by-month basis.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2011-CLSD-001	34 CFR 300.303 requires reevaluations of students qualifying for special education assistance to occur at least once every 3 years. The evaluation process is described in 34 CFR 300.304. Three out of forty students examined did not have reevaluations performed within the three years required.	No	Repeated as finding 2012-CLSD-001

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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
MARCH 26, 2013**