



Dave Yost • Auditor of State

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the 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 financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2015, on our consideration of the 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 6, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities increased \$1,510,925 which represents an 11.87% increase from 2013.
- General revenues accounted for \$26,236,096 in revenue, or 84.00% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,999,072 or 16.00% of total revenues of \$31,235,168.
- The District had \$29,724,243 in expenses related to governmental activities; \$4,999,072 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$26,236,096 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, the permanent improvement fund, and the capital grants fund. The general fund had \$26,380,837 in revenues and other financing sources and \$24,322,162 in expenditures. During fiscal year 2014, the general fund's fund balance increased \$2,058,675 from \$1,578,890 to \$3,637,565.
- The District's permanent improvement fund had \$1,021,254 in revenues and \$915,800 in expenditures and other financing uses. During fiscal year 2014, the permanent improvement fund's fund balance increased \$105,454 from a balance of \$2,710,103 to a balance of \$2,815,557.
- The District's capital grants fund had \$1,561,056 in revenues and \$1,821,398 in expenditures. During fiscal year 2014, the capital grant fund's fund balance decreased \$260,342 from a balance of \$720,190 to a balance of \$459,848.

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 position 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, 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, 2014
(UNAUDITED)**

Reporting the District as a Whole

Statement of Net Position 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 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses (except fiduciary funds) 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 position and changes in that position. This change in net position 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 position 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 position and statement of activities can be found on pages 15-16 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 11. 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, 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 the modified accrual basis of 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 position 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 17-21 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

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 position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-55 of this report.

The District as a Whole

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

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 22,326,078	\$ 21,224,458
Capital assets, net	<u>34,737,311</u>	<u>35,133,070</u>
Total assets	<u>57,063,389</u>	<u>56,357,528</u>
<u>Liabilities</u>		
Current liabilities	3,654,681	4,091,363
Long-term liabilities	<u>28,179,158</u>	<u>28,499,638</u>
Total liabilities	<u>31,833,839</u>	<u>32,591,001</u>
<u>Deferred inflows of resources</u>	<u>10,990,898</u>	<u>11,038,800</u>
<u>Net Position</u>		
Net investment in capital assets	8,413,497	8,919,953
Restricted	3,427,359	4,151,465
Unrestricted (deficit)	<u>2,397,796</u>	<u>(343,691)</u>
Total net position	<u>\$ 14,238,652</u>	<u>\$ 12,727,727</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$14,238,652. Of this total, \$3,427,359 is restricted in use.

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

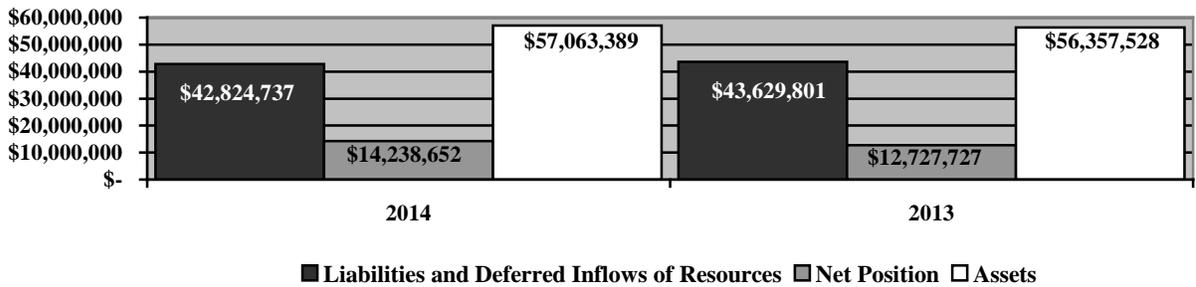
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

At year-end, capital assets represented 60.87% of total assets. Capital assets at June 30, 2014 include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2014 was \$8,413,497. 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.

A portion of the District's net position, \$3,427,359, represents resources that are subject to external restriction on how they may be used. Of this balance, \$3,127,045 is restricted for capital projects. The remaining balance of unrestricted net position of \$2,397,796 may be used to meet the District's ongoing obligations to students and creditors.

The graph below shows the District's assets, liabilities plus deferred inflows and net position at June 30, 2014 and 2013:

Governmental Activities



Governmental Activities

Net position of the District's governmental activities increased \$1,510,925. Total governmental expenses of \$29,724,243 were offset by program revenues of \$4,999,072 and general revenues of \$26,236,096. Program revenues supported 16.82% of the total governmental expenses.

The primary sources of revenue for governmental activities in fiscal year 2014 are derived from property taxes, school district income taxes and grants and entitlements. These revenue sources represent 80.39% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$16,985,417 or 57.14% of total governmental expenses for fiscal year 2014.

The table that follows shows the change in net position for fiscal years 2014 and 2013.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

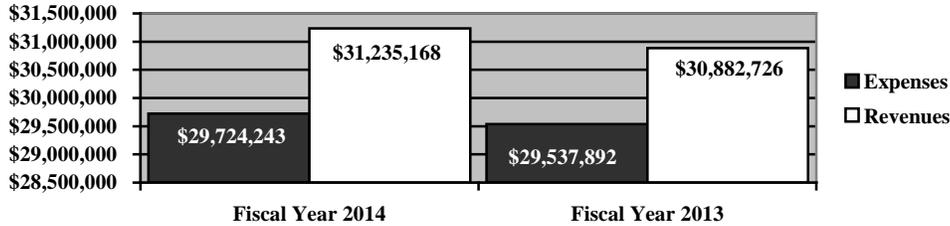
	Change in Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,677,613	\$ 1,731,702
Operating grants and contributions	2,781,020	2,417,505
Capital grants and contributions	540,439	596,251
General revenues:		
Property taxes	12,398,376	12,397,867
School district income taxes	2,124,928	2,012,956
Grants and entitlements	10,586,966	10,616,004
Shared sales taxes	1,043,255	1,023,914
Payment in lieu of taxes	52,000	52,452
Investment earnings	6,529	7,086
Other	24,042	26,989
Total revenues	<u>31,235,168</u>	<u>30,882,726</u>
<u>Expenses</u>		
Instruction:		
Regular	12,628,251	11,060,939
Special	2,815,971	2,564,058
Vocational	89,306	47,538
Other	1,451,889	1,774,663
Support services:		
Pupil	1,491,787	1,488,544
Instructional staff	600,742	1,895,153
Board of education	174,104	33,135
Administration	1,399,904	1,487,320
Fiscal	582,178	515,087
Business	200,638	258,355
Operations and maintenance	2,060,627	1,838,386
Pupil transportation	2,092,515	2,185,632
Central	44,135	326,224
Operations of non-instructional services:		
Food service operations	1,009,450	1,037,174
Community services	448,332	407,787
Extracurricular activities	745,078	729,637
Interest and fiscal charges	1,889,336	1,888,260
Total expenses	<u>29,724,243</u>	<u>29,537,892</u>
Change in net position	1,510,925	1,344,834
Net position at beginning of year	<u>12,727,727</u>	<u>11,382,893</u>
Net position at end of year	<u>\$ 14,238,652</u>	<u>\$ 12,727,727</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The graph below presents governmental activities revenues and expenses for fiscal year 2014 and 2013.

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 grants and entitlements.

Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses:				
Instruction:				
Regular	\$ 12,628,251	\$ 11,882,843	\$ 11,060,939	\$ 10,289,010
Special	2,815,971	1,186,060	2,564,058	1,301,198
Vocational	89,306	68,524	47,538	17,822
Other	1,451,889	1,451,889	1,774,663	1,774,663
Support services:				
Pupil	1,491,787	1,352,324	1,488,544	1,324,896
Instructional staff	600,742	461,853	1,895,153	1,695,770
Board of education	174,104	174,104	33,135	33,135
Administration	1,399,904	1,384,661	1,487,320	1,475,443
Fiscal	582,178	582,178	515,087	514,719
Business	200,638	200,638	258,355	258,355
Operations and maintenance	2,060,627	2,045,976	1,838,386	1,814,156
Pupil transportation	2,092,515	1,980,982	2,185,632	2,082,063
Central	44,135	38,735	326,224	326,224
Operations of non-instructional services:				
Food service operations	1,009,450	(20,347)	1,037,174	75,880
Community services	448,332	109,271	407,787	37,260
Extracurricular activities	745,078	466,583	729,637	459,831
Interest and fiscal charges	1,889,336	1,358,897	1,888,260	1,312,009
Total expenses	<u>\$ 29,724,243</u>	<u>\$ 24,725,171</u>	<u>\$ 29,537,892</u>	<u>\$ 24,792,434</u>

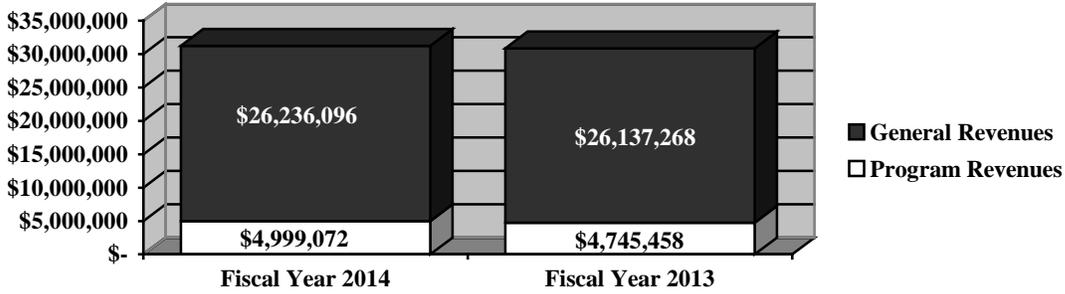
The District's dependence upon taxes and other general revenues for governmental activities is apparent, as 85.89% of instruction activities are supported through such revenues. For all governmental activities, general revenue support is 83.18%. The District's taxpayers, and grants and entitlements received from the State of Ohio and Medina County, are the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The graph below presents the District's governmental activities revenues for fiscal year 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds, as presented on the balance sheet on page 17, reported a combined fund balance of \$6,941,382, which is greater than last year's fund balance of \$5,364,135. This increase resulted from lower expenditures during fiscal year 2014 due to cost savings measures implemented by the District. The schedule below indicates the District's fund balances June 30, 2014 and 2013 and the net change in those fund balances during the year.

<u>Fund</u>	<u>Fund Balance June 30, 2014</u>	<u>Fund Balance June 30, 2013</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$ 3,637,565	\$ 1,578,890	\$ 2,058,675	130.39 %
Permanent improvement	2,815,557	2,710,103	105,454	3.89 %
Capital grants	459,848	720,190	(260,342)	(36.15) %
Nonmajor governmental	28,412	354,952	(326,540)	(92.00) %
Total	<u>\$ 6,941,382</u>	<u>\$ 5,364,135</u>	<u>\$ 1,577,247</u>	29.40 %

General Fund

During 2014, the District's general fund revenues were 0.69% greater than in fiscal year 2013.

Overall, expenditures decreased \$347,326, or 1.41%, from 2013. Expenditures for student instruction increased while support services decreased primarily due to coding changes in the instructional staff function. Expenditures that used to be reported here are not reported in the instructional category.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The table that follows assists in illustrating the activities of the District's general fund during fiscal year 2014.

	2014 Amount	2013 Amount	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 13,791,588	\$ 13,741,701	\$ 49,887	0.36 %
Tuition and classroom fees	769,473	761,086	8,387	1.10 %
Earnings on investments	6,059	6,186	(127)	(2.05) %
Charges for services	244,460	251,735	(7,275)	(2.89) %
Extracurricular	46,528	172,912	(126,384)	(73.09) %
Payment in lieu of taxes	49,231	49,715	(484)	(0.97) %
Intergovernmental	11,337,182	11,091,502	245,680	2.22 %
Other revenues	136,191	125,964	10,227	8.12 %
Total	<u>\$ 26,380,712</u>	<u>\$ 26,200,801</u>	<u>\$ 179,911</u>	0.69 %
<u>Expenditures</u>				
Instruction	\$ 15,505,768	\$ 14,228,890	\$ 1,276,878	8.97 %
Support services	7,995,843	9,364,222	(1,368,379)	(14.61) %
Non-instructional services	293,189	335,721	(42,532)	(12.67) %
Extracurricular activities	475,698	524,433	(48,735)	(9.29) %
Capital outlay		216,222	(216,222)	(100.00) %
Debt service	51,664	-	51,664	100.00 %
Total	<u>\$ 24,322,162</u>	<u>\$ 24,669,488</u>	<u>\$ (347,326)</u>	(1.41) %

Permanent Improvement Fund

The District's permanent improvement fund had \$1,021,254 in revenues and \$915,800 in expenditures and other financing uses. During fiscal year 2014, the permanent improvement fund's fund balance increased \$105,454 from a balance of \$2,710,103 to a balance of \$2,815,557.

Capital Grants Fund

The District's capital grants fund had \$1,561,056 in revenues and \$1,821,398 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 2014, the District recognized \$1,821,398 in expenditures for interest payments on the District's certificates of participation. The capital grant fund's fund balance decreased \$260,342 from a balance of \$720,190 to a balance of \$459,848.

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 2014, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$20,291,502 and were increased to \$22,947,553 in the final budget. Actual revenues and other financing sources for fiscal year 2014 were \$22,947,540. This represents a \$13 decrease from budgeted revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

General fund original appropriations were \$23,511,766, which were decreased during the year to \$21,806,254. The actual budget basis expenditures for fiscal year 2014 totaled \$21,806,254.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$34,737,311 invested in land, land improvements, buildings and improvements, equipment and furniture and vehicles. This entire amount is reported in the District's governmental activities.

The overall decrease in the District's capital assets of \$395,759 is due to depreciation expense of \$1,124,599 exceeding current year capital asset additions of \$728,840.

The following table shows the balances of the District's capital assets at June 30, 2014 compared to June 30, 2013.

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

	Governmental Activities	
	2014	2013
Land	\$ 593,900	\$ 593,900
Land improvements	623,170	706,305
Building and improvements	32,274,537	32,584,011
Furniture and equipment	571,162	609,847
Vehicles	674,542	639,007
Total	\$ 34,737,311	\$ 35,133,070

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

Debt Administration

At June 30, 2014, the District had \$25,660,000 in certificates of participation, \$172,896 in capital lease obligations, and \$1,015,000 in general obligation energy conservation bonds outstanding. Of this total, \$136,657 is due within one year and \$26,711,239 is due in greater than one year.

The following table summarizes the District's outstanding long-term obligations.

Outstanding Debt, at June 30

	Governmental Activities	
	2014	2013
Certificates of participation	\$ 25,660,000	\$ 25,660,000
Capital lease payable	172,896	216,222
Energy conservation bonds	1,015,000	1,075,000
Total	\$ 26,847,896	\$ 26,951,222

See Note 12 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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. On May 6, 2014, the District's voters passed an additional 3.5 mill operating levy and an additional 0.75% income tax. The District's efforts in cutting costs and the passage of the new levies has resulted in the District being released from fiscal emergency on January 27, 2015.

The District will continue to strive for financial stability while attempting to minimize the impact on students. Management will continue to collaborate with 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 POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 7,618,691
Cash with escrow agent.	43,184
Cash with fiscal agent.	13,494
Receivables:	
Property taxes.	12,518,504
Income taxes	933,777
Shared sales taxes.	522,835
Payment in lieu of taxes.	41,000
Intergovernmental.	567,348
Prepayments	38,614
Materials and supplies inventory	28,631
Capital assets:	
Nondepreciable capital assets.	593,900
Depreciable capital assets, net.	34,143,411
Capital assets, net	34,737,311
Total assets.	57,063,389
Liabilities:	
Accounts payable.	149,103
Accrued wages and benefits payable	2,085,563
Contracts payable.	4,367
Retainage payable	43,184
Pension obligation payable.	457,564
Intergovernmental payable	198,722
Matured interest payable	122
Accrued interest payable	716,056
Long-term liabilities:	
Due within one year.	393,203
Due in more than one year.	27,785,955
Total liabilities	31,833,839
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	10,949,898
Payment in lieu of taxes levied for the next fiscal year.	41,000
Total deferred inflows of resources.	10,990,898
Net position:	
Net investment in capital assets	8,413,497
Restricted for:	
Capital projects	3,127,045
Debt service.	8,327
Locally funded programs	46
State funded programs.	5,400
Federally funded programs	186,686
Student activities	99,855
Unrestricted	2,397,796
Total net position.	\$ 14,238,652

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, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 12,628,251	\$ 656,526	\$ 88,882	\$ -	\$ (11,882,843)
Special	2,815,971	116,090	1,513,821	-	(1,186,060)
Vocational	89,306	81	20,701	-	(68,524)
Other	1,451,889	-	-	-	(1,451,889)
Support services:					
Pupil	1,491,787	-	139,463	-	(1,352,324)
Instructional staff	600,742	-	138,889	-	(461,853)
Board of education	174,104	-	-	-	(174,104)
Administration	1,399,904	11,358	3,885	-	(1,384,661)
Fiscal	582,178	-	-	-	(582,178)
Business	200,638	-	-	-	(200,638)
Operations and maintenance	2,060,627	4,651	-	10,000	(2,045,976)
Pupil transportation	2,092,515	-	111,533	-	(1,980,982)
Central	44,135	-	5,400	-	(38,735)
Operation of non-instructional services					
Food service operations	1,009,450	315,106	714,691	-	20,347
Community services	448,332	333,961	5,100	-	(109,271)
Extracurricular activities	745,078	239,840	38,655	-	(466,583)
Interest and fiscal charges	1,889,336	-	-	530,439	(1,358,897)
Total governmental activities	\$ 29,724,243	\$ 1,677,613	\$ 2,781,020	\$ 540,439	(24,725,171)
General revenues:					
Property taxes levied for:					
					11,591,149
					807,227
					2,124,928
					52,000
Grants and entitlements not restricted					
					10,586,966
					1,043,255
					6,529
					24,042
					<u>26,236,096</u>
					1,510,925
					<u>12,727,727</u>
					<u>\$ 14,238,652</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Capital Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 4,154,677	\$ 2,803,650	\$ 221,664	\$ 438,700	\$ 7,618,691
Cash with escrow agent.	-	-	-	43,184	43,184
Cash with fiscal agent.	13,494	-	-	-	13,494
Receivables:					
Property taxes	11,768,669	749,835	-	-	12,518,504
Income taxes	933,777	-	-	-	933,777
Shared sales taxes	-	-	522,835	-	522,835
Payment in lieu of taxes	38,231	2,769	-	-	41,000
Due from other funds.	41,580	-	-	-	41,580
Interfund loans	279,706	-	-	-	279,706
Intergovernmental	310,946	-	-	256,402	567,348
Prepayments	38,614	-	-	-	38,614
Materials and supplies inventory.	-	-	-	28,631	28,631
Total assets	<u>\$ 17,579,694</u>	<u>\$ 3,556,254</u>	<u>\$ 744,499</u>	<u>\$ 766,917</u>	<u>\$ 22,647,364</u>
Liabilities:					
Accounts payable	\$ 61,043	\$ 61,563	\$ -	\$ 26,497	\$ 149,103
Accrued wages and benefits payable	2,012,465	-	-	73,098	2,085,563
Compensated absences payable.	194,021	-	-	-	194,021
Contracts payable.	-	-	-	4,367	4,367
Retainage payable.	-	-	-	43,184	43,184
Pension obligation payable	437,181	-	-	20,383	457,564
Intergovernmental payable	195,462	-	-	3,260	198,722
Due to other funds	-	-	-	41,580	41,580
Interfund loans payable	-	-	-	279,706	279,706
Matured interest payable	-	-	-	122	122
Total liabilities	<u>2,900,172</u>	<u>61,563</u>	<u>-</u>	<u>492,197</u>	<u>3,453,932</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year.	10,304,526	645,372	-	-	10,949,898
Payment in lieu of taxes levied for the next fiscal year.	38,231	2,769	-	-	41,000
Delinquent property tax revenue not available.	432,833	30,993	-	-	463,826
Income tax revenue not available.	137,461	-	-	-	137,461
Intergovernmental revenue not available.	128,906	-	-	246,308	375,214
Shared sales taxes not available	-	-	284,651	-	284,651
Total deferred inflows of resources	<u>11,041,957</u>	<u>679,134</u>	<u>284,651</u>	<u>246,308</u>	<u>12,252,050</u>
Fund balances:					
Nonspendable.	320,061	-	-	28,631	348,692
Restricted.	-	2,815,557	459,848	372,308	3,647,713
Committed	348,009	-	-	-	348,009
Assigned.	912,888	-	-	-	912,888
Unassigned (deficit).	2,056,607	-	-	(372,527)	1,684,080
Total fund balances.	<u>3,637,565</u>	<u>2,815,557</u>	<u>459,848</u>	<u>28,412</u>	<u>6,941,382</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,579,694</u>	<u>\$ 3,556,254</u>	<u>\$ 744,499</u>	<u>\$ 766,917</u>	<u>\$ 22,647,364</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$	6,941,382
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			34,737,311
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.			
Property taxes receivable	\$	463,826	
Income taxes receivable		137,461	
Intergovernmental receivable		375,214	
Shared sales taxes receivable		284,651	
Total		1,261,152	1,261,152
Unamortized discounts on certificates of participation are not recognized in the funds.			571,633
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(716,056)
Long-term liabilities, including certificates of participation and 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		(1,015,000)	
Capital lease payable		(172,896)	
Compensated absences		(1,708,874)	
Total		(28,556,770)	(28,556,770)
Net position of governmental activities		\$	14,238,652

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, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Capital Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 11,675,899	\$ 815,227	\$ -	\$ -	\$ 12,491,126
Income taxes	2,115,689	-	-	-	2,115,689
Payment in lieu of taxes	49,231	2,769	-	-	52,000
Tuition	542,139	-	-	-	542,139
Earnings on investments	6,059	-	-	470	6,529
Charges for services	244,460	-	-	315,106	559,566
Extracurricular	46,528	-	-	216,919	263,447
Classroom materials and fees	227,334	-	-	-	227,334
Rental income.	75,435	-	-	-	75,435
Contributions and donations	27,147	-	-	16,608	43,755
Shared sales taxes	-	-	1,030,617	-	1,030,617
Other local revenues	33,609	-	-	-	33,609
Intergovernmental - intermediate	-	-	-	66,820	66,820
Intergovernmental - state	11,239,738	203,258	-	15,127	11,458,123
Intergovernmental - federal	97,444	-	530,439	1,539,306	2,167,189
Total revenues.	<u>26,380,712</u>	<u>1,021,254</u>	<u>1,561,056</u>	<u>2,170,356</u>	<u>31,133,378</u>
Expenditures:					
Current:					
Instruction:					
Regular	11,872,897	233,063	-	81,371	12,187,331
Special	2,095,487	-	-	706,892	2,802,379
Vocational	85,495	-	-	-	85,495
Other	1,451,889	-	-	-	1,451,889
Support services:					
Pupil	1,342,893	-	-	140,568	1,483,461
Instructional staff	437,990	57,439	-	137,248	632,677
Board of education	174,104	-	-	-	174,104
Administration	1,392,867	360	-	14,405	1,407,632
Fiscal	565,975	14,746	-	128	580,849
Business	174,008	-	-	-	174,008
Operations and maintenance	1,953,518	86,747	-	11,971	2,052,236
Pupil transportation.	1,908,728	233,088	-	-	2,141,816
Central	45,760	-	-	-	45,760
Operation of non-instructional services					
Food service operations.	-	-	-	965,967	965,967
Community services	293,189	21,087	-	-	314,276
Extracurricular activities	475,698	-	-	166,848	642,546
Facilities acquisition and construction	-	172,800	-	271,498	444,298
Debt service:					
Principal retirement	43,326	-	-	60,000	103,326
Interest and fiscal charges	8,338	-	1,821,398	36,470	1,866,206
Total expenditures	<u>24,322,162</u>	<u>819,330</u>	<u>1,821,398</u>	<u>2,593,366</u>	<u>29,556,256</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>2,058,550</u>	<u>201,924</u>	<u>(260,342)</u>	<u>(423,010)</u>	<u>1,577,122</u>
Other financing sources (uses):					
Sale of assets	125	-	-	-	125
Transfers in	-	-	-	116,445	116,445
Transfers (out)	-	(96,470)	-	(19,975)	(116,445)
Total other financing sources (uses)	<u>125</u>	<u>(96,470)</u>	<u>-</u>	<u>96,470</u>	<u>125</u>
Net change in fund balances	2,058,675	105,454	(260,342)	(326,540)	1,577,247
Fund balances at beginning of year.	<u>1,578,890</u>	<u>2,710,103</u>	<u>720,190</u>	<u>354,952</u>	<u>5,364,135</u>
Fund balances at end of year.	<u>\$ 3,637,565</u>	<u>\$ 2,815,557</u>	<u>\$ 459,848</u>	<u>\$ 28,412</u>	<u>\$ 6,941,382</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, 2014

Net change in fund balances - total governmental funds	\$	1,577,247
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 728,840	
Current year depreciation	(1,124,599)	
Total		(395,759)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(92,750)	
Income taxes	9,239	
Intergovernmental	196,162	
Shared sales taxes	12,638	
Total		125,289
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		103,326
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:		
Decrease in accrued interest payable	688	
Amortization of discount on certificates of participation	(23,818)	
Total		(23,130)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		123,952
Change in net position of governmental activities	\$	1,510,925

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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 8,133,951	\$ 9,198,643	\$ 9,198,643	\$ -
Income taxes	1,835,379	2,075,621	2,075,621	-
Payment in lieu of taxes	35,980	40,690	40,690	-
Tuition	471,396	533,099	533,099	-
Earnings on investments	5,369	6,072	6,059	(13)
Extracurricular	20,985	23,732	23,732	-
Classroom materials and fees	4,736	5,356	5,356	-
Other local revenues	22,949	25,953	25,953	-
Intergovernmental - state	9,485,715	10,727,344	10,727,344	-
Intergovernmental - federal	97,442	110,197	110,197	-
Total revenues	<u>20,113,902</u>	<u>22,746,707</u>	<u>22,746,694</u>	<u>(13)</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,760,823	9,052,786	9,052,786	-
Special	2,283,955	2,118,280	2,118,280	-
Vocational	90,185	83,643	83,643	-
Other	1,556,051	1,443,177	1,443,177	-
Support services:				
Pupil	1,443,205	1,338,517	1,338,517	-
Instructional staff	689,745	639,712	639,712	-
Board of education	190,743	176,907	176,907	-
Administration	1,444,817	1,340,012	1,340,012	-
Fiscal	550,981	511,014	511,014	-
Business	279,756	259,463	259,463	-
Operations and maintenance	2,155,888	1,999,503	1,999,503	-
Pupil transportation	2,094,695	1,942,749	1,942,749	-
Central	59,071	54,786	54,786	-
Community services	38,472	35,681	35,681	-
Extracurricular activities	507,865	471,024	471,024	-
Debt service:				
Principal retirement	365,514	339,000	339,000	-
Total expenditures	<u>23,511,766</u>	<u>21,806,254</u>	<u>21,806,254</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,397,864)</u>	<u>940,453</u>	<u>940,440</u>	<u>(13)</u>
Other financing sources:				
Refund of prior year's expenditures	177,489	200,721	200,721	-
Sale of assets	111	125	125	-
Total other financing sources	<u>177,600</u>	<u>200,846</u>	<u>200,846</u>	<u>-</u>
Net change in fund balance	(3,220,264)	1,141,299	1,141,286	(13)
Fund balance at beginning of year	2,120,363	2,120,363	2,120,363	-
Prior year encumbrances appropriated	127,908	127,908	127,908	-
Fund balance (deficit) at end of year	<u>\$ (971,993)</u>	<u>\$ 3,389,570</u>	<u>\$ 3,389,557</u>	<u>\$ (13)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 25,389	\$ 49,629
Liabilities:		
Accounts payable.	\$ 360	\$ -
Due to students	-	49,629
Total liabilities	360	\$ 49,629
Net position:		
Held in trust for scholarships	25,029	
Total net position	\$ 25,029	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions	\$ 6,476
Deductions:	
Scholarships awarded	5,571
Change in net position	905
Net position at beginning of year	24,124
Net position at end of year.	\$ 25,029

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, 2014**

NOTE 1 - DESCRIPTION OF THE DISTRICT

The Cloverleaf Local School 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 172 certified employees, 159 non-certified employees and 21 administrators who provide services to approximately 2,657 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 2014-2015 school year. The District will also monitor spending in areas in which 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'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*" and GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. 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 \$85,936 to NEOnet.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 2014, the District paid \$1,116 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 2014, the District paid \$6,407 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 86 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 position 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, 2014**

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

Government-Wide Financial Statements

The statement of net position 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 position 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The general fund, permanent improvement 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, 2014

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.

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) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Fiduciary Fund Types

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust, which accounts for scholarship 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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

The private purpose trust fund is 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, 2014

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 inflows of resources, 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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the grant's timing requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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 statement reflect the amounts in the final amended certificate issued during fiscal year 2014. 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, 2014

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 position 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 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 2014 amounted to \$6,059 which includes \$3,465 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 (a nonmajor governmental 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. The District also has cash held with the Medina County ESC which has been presented on the financial statements as "cash with fiscal agent".

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.

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

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.

At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

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 position, but are not reported on the fund financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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 \$5,000 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.

All reported capital assets, other than land, 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 and improvements	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 interfund loans and cash deficits among the governmental activities are classified as "interfund loans receivable/payable" and "due to/from other funds", respectively. These amounts are eliminated in the governmental activities column of the statement of net position.

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 absences 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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.

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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 position is 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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.

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 position.

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. Issuance Costs and Unamortized Discount of Certificates of Participation and Bonds

On government-wide financial statements, discounts on the issuances of certificates of participation and bonds are amortized over the term of the issue using the straight-line method, which approximates the effective interest method.

On the governmental fund financial statements, issuance costs and discounts on certificates of participation and bonds are recognized in the current period. The reconciliation between the face value of the certificates of participation and the amount reported on the statement of net position is presented in Note 12.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Food service	\$ 277,646
Title VI-B	21,519
Title I	31,658
Improving teacher quality	13,073

The general fund is liable for any deficit 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, \$43,184 was on deposit with an escrow agent for retainage held as part of the District's construction contracts. This amount is included in the carrying amount of deposits reported below and is reported on the financial statements as "cash with escrow agent".

B. Cash with Fiscal Agent

At June 30, 2014, the District had \$13,494 in cash held by Medina County Schools' Educational Service Center, which is included on the balance sheet as "cash with fiscal agent". The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants.

C. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$2,221,893. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", \$2,323,676 of the District's bank balance of \$2,823,676 was exposed to custodial risk, while \$500,000 was covered by the FDIC as discussed below.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

At June 30, 2014, the District had the following investments and maturities:

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
Repurchase agreement	\$ 5,515,000	\$ 5,515,000

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 \$5,515,000 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, 2014:

<u>Investment</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 5,515,000	100.00

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Position

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 position at June 30, 2014:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 2,221,893
Investments	5,515,000
Cash with fiscal agent	<u>13,494</u>
Total	<u>\$ 7,750,387</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,675,369
Private-purpose trust fund	25,389
Agency fund	<u>49,629</u>
Total	<u>\$ 7,750,387</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2014, as reported on the fund statements, consist of the following individual long-term interfund loans 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 not expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund balances at June 30, 2014, as reported on the fund statements, consist of the following amounts due to and due from other funds:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 41,580</u>

The purpose of the amount due to/from other funds is to cover negative cash balances in the nonmajor governmental funds. The interfund balance will be repaid once the anticipated revenues are received and is expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- C. Interfund transfers for the fiscal year ended June 30, 2014 consisted of the following, as reported on the fund financial statements:

	Amount
<u>Transfers from permanent improvement fund to:</u>	
Nonmajor debt service fund	\$ 96,470
<u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor debt service fund	19,975
Total transfers	\$ 116,445

The transfer from the permanent improvement fund to the debt service fund (a nonmajor governmental fund) was made to utilize funds from the District's permanent improvement property tax levy to service debt assumed for building improvements. 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.

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 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - TAXES - (Continued)

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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,031,310 in the general fund and \$73,470 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$1,100,860 in the general fund and \$78,890 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, 2014 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 deferred inflows.

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 reported as a deferred inflow.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 478,862,880	98.06	\$ 465,695,140	97.84
Public utility personal	<u>9,484,190</u>	<u>1.94</u>	<u>10,281,520</u>	<u>2.16</u>
Total	<u>\$ 488,347,070</u>	<u>100.00</u>	<u>\$ 475,976,660</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 55.40		\$ 55.50	

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 2014 amounted to \$2,115,689.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 \$52,000 during fiscal year 2014.

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 2014, the District recorded shared sales taxes revenue of \$1,030,617 in the capital grants fund.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, income taxes, accounts, shared sales taxes, payment in lieu of 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.

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

Governmental activities:

Property taxes	\$ 12,518,504
Income taxes	933,777
Shared sales taxes	522,835
Payment in lieu of taxes	41,000
Intergovernmental	<u>567,348</u>
Total	<u>\$ 14,583,464</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

<u>Governmental activities:</u>	Balance 7/1/13	Additions	Deletions	Balance 6/30/14
<i>Capital assets, not being depreciated:</i>				
Land	\$ 593,900	\$ -	\$ -	\$ 593,900
Total capital assets, not being depreciated	<u>593,900</u>	<u>-</u>	<u>-</u>	<u>593,900</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,894,951	-	-	1,894,951
Buildings and improvements	39,476,235	488,953	-	39,965,188
Furniture and equipment	1,596,699	42,885	-	1,639,584
Vehicles	2,229,743	197,002	-	2,426,745
Total capital assets, being depreciated	<u>45,197,628</u>	<u>728,840</u>	<u>-</u>	<u>45,926,468</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,188,646)	(83,135)	-	(1,271,781)
Buildings and improvements	(6,892,224)	(798,427)	-	(7,690,651)
Furniture and equipment	(986,852)	(81,570)	-	(1,068,422)
Vehicles	(1,590,736)	(161,467)	-	(1,752,203)
Total accumulated depreciation	<u>(10,658,458)</u>	<u>(1,124,599)</u>	<u>-</u>	<u>(11,783,057)</u>
Total capital assets, being depreciated net	<u>34,539,170</u>	<u>(395,759)</u>	<u>-</u>	<u>34,143,411</u>
Governmental activities capital assets, net	<u>\$ 35,133,070</u>	<u>\$ (395,759)</u>	<u>\$ -</u>	<u>\$ 34,737,311</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 493,232
Special	53,850
Vocational	3,248
<u>Support services:</u>	
Pupil	7,797
Instructional staff	15,666
Administration	24,314
Business	27,028
Operations and maintenance	66,356
Pupil transportation	154,851
Central	410
Community services	128,074
Extracurricular	98,943
Food service operations	<u>50,830</u>
Total depreciation expense	<u>\$ 1,124,599</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the District entered into a capitalized lease agreement for the acquisition of copier equipment. This lease meets the criteria to be reported as a capital lease, which generally transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital assets acquired through the lease agreement have been capitalized in the statement of net position in the amount of \$216,222, which is equal to the present value of the future minimum lease payments as of the date of inception. Accumulated depreciation as of June 30, 2014 was \$32,659, leaving a current book value of \$183,563. Principal and interest on the lease are paid from the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 47,690
2016	47,690
2017	47,690
2018	<u>43,717</u>
Total minimum lease payments	186,787
Less amount representing interest	<u>(13,891)</u>
Total	<u>\$ 172,896</u>

NOTE 12 - LONG-TERM OBLIGATIONS

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

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Amount</u>
<u>Governmental activities:</u>	<u>7/1/13</u>			<u>6/30/14</u>	<u>Due in</u>
					<u>One Year</u>
Certificates of participation					
Series 2009A certificates	\$ 3,845,000	\$ -	\$ -	\$ 3,845,000	\$ 30,000
Series 2009B certificates	21,815,000	-	-	21,815,000	-
Discount on certificates of participation	(595,451)	-	23,818	(571,633)	-
Series 2011 energy conservation bonds	1,075,000	-	(60,000)	1,015,000	65,000
Capital lease payable	216,222	-	(43,326)	172,896	41,657
Compensated absences payable	<u>2,143,867</u>	<u>184,088</u>	<u>(425,060)</u>	<u>1,902,895</u>	<u>256,546</u>
Total governmental activities long-term liabilities	<u>\$ 28,499,638</u>	<u>\$ 184,088</u>	<u>\$ (504,568)</u>	<u>\$ 28,179,158</u>	<u>\$ 393,203</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employees' 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, 2014

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Capital lease: Capital lease obligations will be paid from the general fund. See Note 11 for detail.

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.

There were no principal payments made in fiscal year 2014. 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, 2014 were as follows:

Fiscal Year Ending	Certificates of Participation - Series 2009A			Certificates of Participation - Series 2009B		
	Principal	Interest	Total	Principal	Interest	Total
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	180,000	166,368	346,368	-	1,646,431	1,646,431
2019	245,000	158,988	403,988	-	1,646,432	1,646,432
2020 - 2024	2,415,000	563,938	2,978,938	-	8,232,156	8,232,156
2025 - 2029	775,000	36,813	811,813	4,050,000	7,807,356	11,857,356
2030 - 2034	-	-	-	7,745,000	5,724,656	13,469,656
2035 - 2038	-	-	-	10,020,000	2,040,963	12,060,963
Total	<u>\$ 3,845,000</u>	<u>\$ 1,446,436</u>	<u>\$ 5,291,436</u>	<u>\$ 21,815,000</u>	<u>\$ 32,037,287</u>	<u>\$ 53,852,287</u>

Series 2011 Energy Conservation Bonds: During fiscal year 2012, the District issued \$1,140,000 in general obligation Energy Conservation 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 and are paid from the debt service fund, a nonmajor governmental fund. The final maturity stated in the issue is September 1, 2026.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2011 Energy Conservation Bonds:

Fiscal Year Ending June 30,	2011 Energy Conservation Bonds		
	Current Interest Bonds		
	Principal	Interest	Total
2015	\$ 65,000	\$ 34,289	\$ 99,289
2016	65,000	32,021	97,021
2017	70,000	29,665	99,665
2018	70,000	27,222	97,222
2019	70,000	24,779	94,779
2020 - 2024	400,000	72,854	472,854
2025 - 2027	<u>275,000</u>	<u>25,652</u>	<u>300,652</u>
Total	<u>\$ 1,015,000</u>	<u>\$ 246,482</u>	<u>\$ 1,261,482</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, 2014 are a voted debt margin of \$42,857,874 (including available funds of \$19,975), an unvoted debt margin of \$475,977, and an energy conservation debt margin of \$3,268,790.

NOTE 13 - LOANS PAYABLE

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 was repaid from the general fund with school foundation revenue.

A summary of short-term debt activity during fiscal year 2014 is as follows:

	Balance 7/1/13	Increases	Decreases	Balance 6/30/14	Amount Due in One Year
<u>Governmental activities:</u>					
Loan from state solvency assistance fund	<u>\$ 339,000</u>	<u>\$ -</u>	<u>\$ (339,000)</u>	<u>\$ -</u>	<u>\$ -</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - 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 86 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 exiting District subsequent to the settlement of all claims and expenses.

During fiscal year 2014, 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.

NOTE 15 - 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*".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 15 - PENSION PLANS - (Continued)

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 2014, 13.05 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 14 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, 2014, 2013 and 2012 were \$477,349, \$475,531 and \$522,184, respectively; 78.73 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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.

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.

**CLOVERLEAF LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 15 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$1,424,876, \$1,475,572 and \$1,626,132, respectively; 83.99 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$43,847 made by the District and \$34,451 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, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 16 - 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 16 - 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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$67,895, \$65,954 and \$85,164, respectively; 78.73 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$27,694, \$26,862 and \$30,838, respectively; 78.73 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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 2014, 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, 2014, 2013 and 2012 were \$109,606, \$113,506 and \$125,087, respectively; 83.99 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 17 - 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	\$ 1,141,286
Net adjustment for revenue accruals	153,166
Net adjustment for expenditure accruals	569,623
Net adjustment for other sources and uses	(200,721)
Funds budgeted elsewhere	315,327
Adjustment for encumbrances	<u>79,994</u>
GAAP basis	<u>\$ 2,058,675</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 unclaimed monies 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, 2014

NOTE 18 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 19 - 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.

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, 2013	\$ -
Current year set-aside requirement	461,580
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(1,016,674)
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (555,094)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

Although the District had offsets during the year that reduced the capital improvements set-aside amount to below zero, the excess of current year offsets over the set-aside requirement may not be used to reduce the set-aside requirements of future years. This negative amount is therefore not presented as being 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, 2014**

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	\$ 51,604
Permanent improvement fund	650,449
Nonmajor governmental funds	<u>70,192</u>
Total	<u>\$ 772,245</u>

NOTE 21 - SUBSEQUENT EVENT

On July 29, 2014, the District issued \$23,370,000 in refunding certificates of participation to refund all of the outstanding Series 2009B certificates of participation. The refunding certificates of participation bear interest rates ranging from 2% - 4% with final maturity on March 1, 2038.

The Auditor of State released the District from fiscal emergency on January 27, 2015. This is a result of various cost cutting measures undertaken by the District and the passage of combined property tax/income tax levy on May 6, 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 22 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Permanent Improvement	Capital Grants	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ -	\$ -	\$ -	\$ 28,631	\$ 28,631
Prepays	38,614	-	-	-	38,614
Long-term loans	279,706	-	-	-	279,706
Unclaimed monies	1,741	-	-	-	1,741
Total nonspendable	<u>320,061</u>	<u>-</u>	<u>-</u>	<u>28,631</u>	<u>348,692</u>
Restricted:					
Debt service	-	-	-	19,975	19,975
Capital improvements	-	2,815,557	459,848	240,404	3,515,809
Extracurricular	-	-	-	99,855	99,855
Other purposes	-	-	-	12,074	12,074
Total restricted	<u>-</u>	<u>2,815,557</u>	<u>459,848</u>	<u>372,308</u>	<u>3,647,713</u>
Committed:					
Recreation	348,009	-	-	-	348,009
Total committed	<u>348,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>348,009</u>
Assigned:					
Student instruction	2,450	-	-	-	2,450
Student and staff support	131,386	-	-	-	131,386
Uniform school supplies	87,186	-	-	-	87,186
Subsequent year's appropriations	691,866	-	-	-	691,866
Total assigned	<u>912,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>912,888</u>
Unassigned (deficit)	<u>2,056,607</u>	<u>-</u>	<u>-</u>	<u>(372,527)</u>	<u>1,684,080</u>
Total fund balances	<u>\$ 3,637,565</u>	<u>\$ 2,815,557</u>	<u>\$ 459,848</u>	<u>\$ 28,412</u>	<u>\$ 6,941,382</u>

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**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	\$122,568	\$79,515
		<u>461,864</u>	<u>483,384</u>
Total Special Education -Grants to States		584,432	562,899
Special Education - Preschool Grants	84.173	10,477	10,477
Total Special Education Cluster		<u>594,909</u>	<u>573,376</u>
Title I Grants to Local Educational Agencies	84.010	114,688	97,738
		<u>221,967</u>	<u>235,177</u>
Total Title I Grants to Local Educational Agencies		336,655	332,915
Improving Teacher Quality State Grants	84.367	17,936	11,938
		<u>82,146</u>	<u>88,996</u>
Total Improving Teacher Quality State Grants		<u>100,082</u>	<u>100,934</u>
Total U.S. Department of Education		1,031,646	1,007,225
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	157,083	157,083
National School Lunch Program	10.555	461,169	461,169
Non-Cash Assistance		<u>82,972</u>	<u>82,972</u>
Total National School Lunch Program		544,141	544,141
Total Child Nutrition Cluster		<u>701,224</u>	<u>701,224</u>
Farm to School Grant Program	10.575	<u>5,000</u>	<u>330</u>
Total U.S. Department of Agriculture		<u>706,224</u>	<u>701,554</u>
Totals		<u><u>\$1,737,870</u></u>	<u><u>\$1,708,779</u></u>

The accompanying notes are an integral part of this schedule.

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Cloverleaf Local School District, Medina County, Ohio, (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the 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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 6, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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
Medina County
8525 Friendsville Road
Lodi, Ohio 44254

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Cloverleaf Local School District's (the District) compliance with the applicable 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 the Cloverleaf Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Cloverleaf Local School District, Medina County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable 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.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 6, 2015

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<ul style="list-style-type: none"> ➤ Child Nutrition Cluster, CFDA 10.553 and 10.555; ➤ Special Education Cluster, CFDA 84.027 and 84.173.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Material Weakness – GAAP Financial Statements: General Fund property taxes receivable and deferred inflows of resources were overstated \$2,202,500 due to a calculation error.	No	Partially corrected, a less significant comment was reported in the management letter.

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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 24, 2015**