



**Dave Yost • Auditor of State**

**Cloverleaf Local School District  
Medina County, Ohio**

**Fiscal Emergency Termination**

**Local Government Services Section**



**Cloverleaf Local School District  
Medina County**

**Fiscal Emergency Termination**

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# Dave Yost • Auditor of State

## CERTIFICATION

Pursuant to a request submitted to the Auditor of State by the Cloverleaf Local School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Cloverleaf Local School District to determine whether the Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated. Based on our analysis, the Auditor of State certifies that the Cloverleaf Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented, that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be non-adverse. Therefore, the existence of the Cloverleaf Local School District Financial Planning and Supervision Commission and its role in the operation of the Cloverleaf Local School District is terminated as of January 27, 2015.

Accordingly, this report is hereby submitted to the Cloverleaf Local School District Board of Education, the Financial Planning and Supervision Commission, John Kasich, Governor, Timothy S. Keen, Director of the Office of Budget and Management, Mike Kovack, Medina County Auditor, and Dr. Richard A. Ross, State Superintendent of Public Instruction.

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

DAVE YOST  
Auditor of State

January 27, 2015

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## **Cloverleaf Local School District – Medina County**

### **Report on Termination of the Cloverleaf Local School District Financial Planning and Supervision Commission**

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At the request of the Financial Planning and Supervision Commission of the Cloverleaf Local School District (the Commission), Medina County, Ohio, as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated.

#### **The Declaration of Fiscal Emergency**

The Auditor of State declared the Cloverleaf Local School District (School District) in fiscal watch on March 30, 2004. This declaration was based upon the School District's failure to submit a written proposal for eliminating the anticipated deficits that prompted the declaration of fiscal caution. Upon reviewing the School District's five-year forecast filed with the Department of Education on January 24, 2004, which included forecasted deficits of \$275,000 and \$1,725,000 for the fiscal years ending June 30, 2004 and 2005, the Auditor of State found the Department of Education's request that the School District be placed in fiscal watch to be reasonable.

Section 3316.04, Revised Code, requires that the board of education of a district declared to be in fiscal watch prepare and submit a financial plan to the State Superintendent of Public Instruction that demonstrates the actions the board will take to eliminate the district's current operating deficit and avoid incurring future operating deficits. A school district that fails to submit an acceptable plan within 120 days of the Auditor of State's declaration of fiscal watch is required to be declared in a state of fiscal emergency in accordance with Section 3316.03(B), Revised Code. The Cloverleaf Local School District Board of Education passed a resolution on November 29, 2011, stating their inability to develop a fiscal watch recovery plan acceptable to the Superintendent of Public Instruction. Accordingly, the Auditor of State declared the School District to be in a state of Fiscal Emergency under Section 3316.03(B)(2) of the Ohio Revised Code on January 24, 2012. A Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

#### **Termination of Fiscal Emergency**

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse".

The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

**Cloverleaf Local School District – Medina County**

**Report on Termination of the Cloverleaf Local School District  
Financial Planning and Supervision Commission**

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**Section 1 – Financial Accounting and Reporting System**

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district's financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Cloverleaf Local School District and issued a Report on Accounting Methods, dated December 17, 2013. The report identified areas where the School District's financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Financial Accounting Report. We confirmed whether the actions taken by management were sufficient to correct those issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

**Budgetary Process**

**Auditor of State Comment from Report on Accounting Methods:**

- The Board adopts appropriations and at the same time the Treasurer amends the certificate to support appropriations. Appropriations should be limited to the estimated resources reflected on the amended certificate at the time of adoption. Prior to appropriating the additional or new resources, the Treasurer should request an amended certificate based on reasonable estimates and/or actual receipts.

**Implemented:**

The Treasurer submits a request for an amended certificate prior to appropriating the additional or new resources.

**Auditor of State Comment from Report on Accounting Methods:**

- The Treasurer compares appropriations to estimated resources; however, this comparison is not documented. The Treasurer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Board upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.

**Implemented:**

The Treasurer has implemented a spreadsheet that has his beginning unencumbered balances along with the latest certificate of estimated resources from the County added together to show the total amount available to appropriate, which is then presented next to a column showing the most recent appropriations passed by the Board to show what amount is still available to appropriate.

**Cloverleaf Local School District – Medina County**

**Report on Termination of the Cloverleaf Local School District  
Financial Planning and Supervision Commission**

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Auditor of State Comment from Report on Accounting Methods:

- The School District does not issue 412 certificates for qualifying contracts. Section 5705.412, Revised Code, requires the School District to certify, prior to entering into a qualifying contract, that payment of the obligation will not affect the School District's ability to maintain all personnel and programs for the term of the contract. The certificate is to be attached to the qualifying contract and signed by the Treasurer, Superintendent, and the President of the Board. With the School District being in a state of fiscal emergency, the 412 certificates created by the Treasurer should be signed by a member of the School District's Financial Planning and Supervision Commission, who is designated by the Commission for this purpose.

Implemented:

The Chairperson of the Commission has signed 412 certificates for qualifying contracts. The Superintendent, Treasurer, and President of the Board are aware of the legal requirement and will comply with the requirement once released from fiscal emergency.

Auditor of State Comment from Report on Accounting Methods:

- The School District's policy should state what the legal level of control is. While Section 117-6-02 sets the minimum legal level at the fund level, the School District's policy should specifically state if its legal level is at the fund level or a more detailed level.

Implemented:

The School District's budgetary policy has been approved by the Board and states that the legal level of control is the fund level.

**Revenue Activity**

Auditor of State Comment from Report on Accounting Methods:

- Cafeteria receipts are posted in a monthly lump sum amount one month in arrears. Cafeteria receipts should be posted at least on a weekly basis.

Implemented:

The School District continues to post cafeteria receipts on a monthly basis as they believe it is more economical and efficient to do so; however, the School District does have a procedure in place for tracking receipts on a daily basis and is able to provide a current account balance.

Auditor of State Comment from Report on Accounting Methods:

- The Assistant Treasurer should maintain documentation that the locked deposit bags were received from the building secretaries.

Implemented:

The Assistant Treasurer now maintains a locked bag log, which indicates the date, the number of deposit bags, the building it is coming from, the signature of the person dropping off the deposit bag(s) and the signature of the person receiving the deposit bag(s).

**Cloverleaf Local School District – Medina County**

**Report on Termination of the Cloverleaf Local School District  
Financial Planning and Supervision Commission**

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**Purchasing Process**

Auditor of State Comment from Report on Accounting Methods:

- The School District does not perform a search of the United States Department of State's terrorist exclusion list website. The School District should perform a search of the United States Department of State's terrorist exclusion list website and keep a printed copy of the results of the search on file as proof of verification of vendors.

Implemented:

The School District performs a search of the United States Department of State's terrorist exclusion website and keeps a printed copy of the results of the search on file as proof of verification of vendors.

Auditor of State Comment from Report on Accounting Methods:

- The School District does not notify vendors whose bids were rejected. Per the School District's policy, this process should be completed.

Implemented:

The School District has not bid a project since the time the Report on Accounting Methods was completed. The School District has created a form letter to notify any rejected bidders for the next time this situation arises.

Auditor of State Comment from Report on Accounting Methods:

- The School District does not issue 412 certificates for qualifying contracts. Section 5705.412, Revised Code, requires the School District to certify, prior to entering into a qualifying contract, that payment of the obligation will not affect the School District's ability to maintain all personnel and programs for the term of the contract. The certificate is to be attached to the qualifying contract and signed by the Treasurer, Superintendent, and the President of the Board. With the School District being in a state of fiscal emergency, the 412 certificates created by the Treasurer should be signed by a member of the School District's Financial Planning and Supervision Commission, who is designated by the Commission for this purpose.

Implemented:

The Chairperson of the Commission has signed 412 certificates for qualifying contracts. The Superintendent, Treasurer, and President of the Board are aware of the legal requirement and will comply with the requirement once released from fiscal emergency

**Cloverleaf Local School District – Medina County**

**Report on Termination of the Cloverleaf Local School District  
Financial Planning and Supervision Commission**

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**Capital Assets and Supplies Inventory**

Auditor of State Comment from Report on Accounting Methods:

- The School District’s policy should reflect, for both capital assets and materials and supplies inventory, the frequency of, the method to be used, and individuals who are responsible for inventorying assets and verifying them.

Implemented:

The School District’s policy for capital assets and materials and supplies inventory now addresses the frequency of, the method to be used, and individuals who are responsible for inventorying assets and verifying them.

Auditor of State Comment from Report on Accounting Methods:

- The capital asset policy should be expanded to address valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students). In accordance with GASB Statement No. 34, depreciation expense should be calculated by allocating the net cost of depreciable assets over their estimated useful lives. The net cost of depreciable assets is defined as historical cost less estimated salvage value.

Implemented:

The School District’s policy for capital assets and materials and supplies inventory now addresses valuing donated assets, assigning salvage values, and private property (items belonging to staff and students).

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer’s office does not verify the existence or non-existence of any significant consumable inventory other than food service supplies. The Treasurer should verify that there are no significant inventories other than food service to be reported. This should be done by physically checking the areas where consumable inventories would be stored.

Implemented:

The Treasurer has provided a list for various offices and school buildings within the School District, excluding cafeterias, with the administrator for each verifying that there are no significant consumable inventories.

**Cloverleaf Local School District – Medina County**

**Report on Termination of the Cloverleaf Local School District  
Financial Planning and Supervision Commission**

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**Cash Management and Investing**

Auditor of State Comment from Report on Accounting Methods:

- The School District does not have a policy for distribution of interest income. The School District should adopt a policy for the distribution of interest income.

Implemented:

The School District's investment policy has been updated to disclose which funds receive interest income.

Auditor of State Comment from Report on Accounting Methods:

- The investment policy should be filed with the Auditor of State Clerk of the Bureau.

Implemented:

The School District's investment policy has been submitted to the Auditor of State Clerk of the Bureau.

Auditor of State Comment from Report on Accounting Methods:

- The School District's petty cash policy should specify what employees may be designated to use petty cash accounts and stipulate what types of purchases may be made.

Implemented:

The School District's petty cash policy specifies that no departments are to use petty cash.

**Recent Audit Report and Compliance and Management Letters**

In addition to reviewing the actions taken to address the issues identified in the Report on Accounting Methods and before releasing a school district from fiscal emergency, the Auditor of State reviews the current audit report to determine if there are deficiencies in the school district's financial reporting or any significant failures to comply with the requirements of the Ohio Revised Code.

The Auditor of State released an audit report on the School District's financial statements as of and for the fiscal year ended June 30, 2013, on March 11, 2014. The report expressed an unmodified opinion of the financial statements.

As part of the audit report, the School District receives letters on legal compliance and related internal controls and a management letter. The management letter disclosed non-compliance issues with State and Federal laws and regulations relating to the audit for fiscal year 2013, which included recommendations for segregation of duties, travel reimbursements, and stale outstanding checks.

The School District has corrected or is in the process of correcting the issues identified in the management letter; therefore, the Auditor of State has concluded that the issues identified in the management letter do not require that the School District's release from fiscal emergency be delayed.

## Cloverleaf Local School District – Medina County

### Report on Termination of the Cloverleaf Local School District Financial Planning and Supervision Commission

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#### **Section 2 – Fiscal Emergency Conditions**

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines that a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.
2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the school district is not materially complying with the provision of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.
4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the school district's fiscal problems and to prevent further fiscal decline.

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.
2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.
3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.
4. The examination of the School District's five-year forecast includes a non-adverse opinion rendered by the Auditor of State.

## **Cloverleaf Local School District – Medina County**

### **Report on Termination of the Cloverleaf Local School District Financial Planning and Supervision Commission**

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#### **Section 3 – Financial Recovery Plan**

We obtained and reviewed a copy of the latest financial recovery plan of the School District (dated October 31, 2013). The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided us with a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed by us. The key provisions of the financial plan are as follows:

1. The School District will continue to develop and maintain a five-year financial forecast that establishes the parameters of expenditures versus revenues for the School District. The forecast will be updated as required to reflect the changes in assumptions and the most likely course of the School District.
2. The Board of Education will contain expenditures within the five-year financial forecast and the Financial Recovery Plan.
3. The School District will review and follow its purchasing procedures and ensure that each transaction is properly authorized, documented and recorded.

Actions taken to achieve the provisions of the plan include the following:

1. Monitored operating expenditures, which helped save the School District over \$7 million;
2. Monitored personnel levels, which the School District cut over 70 positions;
3. The School District prepared monthly reports of receipts, expenditures, and encumbrances, which were monitored by staff from the Fiscal Assistance Section of the Ohio Department of Education; and
4. The School District placed various emergency levies on the ballot prior to and since going into fiscal emergency. In May of 2014, voters approved a 3.5 mill emergency levy and a 0.75 percent earned income tax levy.

#### **Section 4 – Five-Year Forecast**

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2015 through 2019, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School District's five-year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the five-year period ending June 30, 2019. The Auditor of State, in a report dated December 12, 2014, rendered a "non-adverse" opinion on the financial forecast.

**Cloverleaf Local School District – Medina County**

**Report on Termination of the Cloverleaf Local School District  
Financial Planning and Supervision Commission**

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**Section 5 – Conclusion**

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented an effective accounting and reporting system;
2. The School District has corrected or eliminated all the fiscal emergency conditions, no new conditions have occurred, and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency during the forecast period;
3. The School District has met the major objectives of the Financial Recovery Plan; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is “nonadverse”.

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Cloverleaf Local School District and its functions may be terminated.

**DISCLAIMER**

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

**Cloverleaf Local School District – Medina County**

**Report on Termination of the Cloverleaf Local School District  
Financial Planning and Supervision Commission**

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**APPENDIX A**

**Cloverleaf Local School District**  
Medina County, Ohio

**Financial Forecast**

**For the Fiscal Years Ending June 30, 2015 through June 30, 2019**

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**Cloverleaf Local School District – Medina County**

**Fiscal Emergency Termination**

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# Dave Yost • Auditor of State

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

## Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Cloverleaf Local School District for the fiscal years ending June 30, 2015 through 2019. The Cloverleaf Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2012, 2013, 2014 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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

DAVE YOST  
Auditor of State

December 12, 2014

**Cloverleaf Local School District**  
**Medina County**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Fiscal Years Ended June 30, 2012 Through 2014 Actual;**  
**For the Fiscal Years Ending June 30, 2015 Through 2019 Forecasted**  
**General Fund**

	Fiscal Year 2012 Actual	Fiscal Year 2013 Actual	Fiscal Year 2014 Actual
<b>Revenues</b>			
General Property Taxes	\$11,598,000	\$11,862,000	\$11,745,000
Income Tax	1,990,000	2,011,000	2,076,000
Unrestricted Grants-in-Aid	9,197,000	9,208,000	9,285,000
Restricted Grants-in-Aid	63,000	106,000	106,000
Restricted Federal Grants-in-Aid	13,000	0	0
Property Tax Allocation	2,149,000	1,686,000	1,668,000
All Other Revenues	1,012,000	1,040,000	992,000
<i>Total Revenues</i>	<u>26,022,000</u>	<u>25,913,000</u>	<u>25,872,000</u>
<b>Other Financing Sources</b>			
Proceeds from Sale of Notes	1,000,000	0	0
Solvency Assistance Advance	678,000	0	0
Advances In	266,000	0	0
<i>Total Other Financing Sources</i>	<u>1,944,000</u>	<u>0</u>	<u>0</u>
<i>Total Revenues and Other Financing Sources</i>	<u>27,966,000</u>	<u>25,913,000</u>	<u>25,872,000</u>
<b>Expenditures</b>			
Personal Services	15,003,000	13,453,000	13,123,000
Employees' Retirement/Insurance Benefits	6,460,000	5,741,000	5,889,000
Purchased Services	4,072,000	3,887,000	3,933,000
Supplies and Materials	861,000	741,000	738,000
Capital Outlay	8,000	4,000	10,000
Debt Service:			
Principal-Tax Anticipation Note	1,000,000	0	0
Principal-Solvency Assistance Advance	0	339,000	339,000
Interest	3,000	0	0
Other Objects	388,000	409,000	405,000
<i>Total Expenditures</i>	<u>27,795,000</u>	<u>24,574,000</u>	<u>24,437,000</u>
<b>Other Financing Uses</b>			
Transfers Out	85,000	73,000	0
Advances Out	280,000	0	0
<i>Total Other Financing Uses</i>	<u>365,000</u>	<u>73,000</u>	<u>0</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>28,160,000</u>	<u>24,647,000</u>	<u>24,437,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(194,000)	1,266,000	1,435,000
Cash Balance July 1	<u>1,148,000</u>	<u>954,000</u>	<u>2,220,000</u>
Cash Balance June 30	954,000	2,220,000	3,655,000
<b>Encumbrances</b>			
Actual/Estimated Encumbrances June 30	<u>200,000</u>	<u>128,000</u>	<u>80,000</u>
Unencumbered/Unreserved Fund Balance June 30	<u>\$754,000</u>	<u>\$2,092,000</u>	<u>\$3,575,000</u>

See accompanying summary of significant forecast assumptions and accounting policies  
See Independent Accountant's Report

Fiscal Year 2015 Forecasted	Fiscal Year 2016 Forecasted	Fiscal Year 2017 Forecasted	Fiscal Year 2018 Forecasted	Fiscal Year 2019 Forecasted
\$12,589,000	\$13,190,000	\$13,182,000	\$13,173,000	\$13,164,000
2,256,000	4,178,000	5,217,000	5,269,000	5,322,000
9,284,000	9,284,000	9,284,000	9,284,000	9,284,000
99,000	99,000	99,000	99,000	99,000
0	0	0	0	0
1,729,000	1,837,000	1,842,000	1,845,000	1,849,000
1,001,000	841,000	860,000	877,000	890,000
<u>26,958,000</u>	<u>29,429,000</u>	<u>30,484,000</u>	<u>30,547,000</u>	<u>30,608,000</u>
0	0	0	0	0
0	0	0	0	0
0	60,000	25,000	25,000	25,000
<u>0</u>	<u>60,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
<u>26,958,000</u>	<u>29,489,000</u>	<u>30,509,000</u>	<u>30,572,000</u>	<u>30,633,000</u>
13,276,000	13,581,000	14,005,000	14,115,000	14,211,000
5,616,000	6,342,000	6,848,000	7,309,000	7,810,000
4,812,000	4,958,000	5,136,000	5,330,000	5,560,000
951,000	998,000	1,048,000	1,102,000	1,159,000
149,000	199,000	249,000	299,000	349,000
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
389,000	407,000	425,000	432,000	440,000
<u>25,193,000</u>	<u>26,485,000</u>	<u>27,711,000</u>	<u>28,587,000</u>	<u>29,529,000</u>
87,000	87,000	87,000	87,000	87,000
60,000	25,000	25,000	25,000	25,000
<u>147,000</u>	<u>112,000</u>	<u>112,000</u>	<u>112,000</u>	<u>112,000</u>
<u>25,340,000</u>	<u>26,597,000</u>	<u>27,823,000</u>	<u>28,699,000</u>	<u>29,641,000</u>
1,618,000	2,892,000	2,686,000	1,873,000	992,000
<u>3,655,000</u>	<u>5,273,000</u>	<u>8,165,000</u>	<u>10,851,000</u>	<u>12,724,000</u>
5,273,000	8,165,000	10,851,000	12,724,000	13,716,000
136,000	136,000	136,000	136,000	136,000
<u>\$5,137,000</u>	<u>\$8,029,000</u>	<u>\$10,715,000</u>	<u>\$12,588,000</u>	<u>\$13,580,000</u>

## **Cloverleaf Local School District**

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### **Note 1 – The School District**

The Cloverleaf Local School District (the School District) is located in Medina County and encompasses the Villages of Chippewa Lake, Gloria Glens Park, Lodi, Seville, and Westfield Center and the Townships of Chatham, Lafayette, and Westfield. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates one elementary school, one middle school, and one high school. The School District is staffed by 143 classified and 168 certificated personnel to provide services to approximately 2,555 students and other community members.

On January 24, 2012, the School District was declared to be in a state of “Fiscal Emergency” under Section 3316.03(B)(2) by the Auditor of State. The declaration was due to the School District’s declining financial condition. In accordance with the law, a five member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction, and the Medina County Auditor. The Commission’s primary charge is to develop, adopt, and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must be in accordance with the plan.

### **Note 2 – Nature of the Forecast**

This financial forecast presents, to the best of the Cloverleaf Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of December 12, 2014, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

### **Note 3 – Nature of the Presentation**

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the poverty based assistance and the school district fiscal stabilization funds and general fund supported debt are included in the general fund.

# Cloverleaf Local School District

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## **Note 4 – Summary of Significant Accounting Policies**

### **Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

### **Fund Accounting**

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

### **Governmental Funds**

**General Fund** – The general fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

**Special Revenue Funds** – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

**Debt Service Fund** – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

**Capital Projects Funds** – Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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**Permanent Funds** – Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

## **Proprietary Funds**

**Enterprise Funds** – Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

**Internal Service Funds** – Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

## **Fiduciary Funds**

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

## **Budgetary Process**

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. 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. All funds, other than agency funds, are legally required to be budgeted and appropriated.

**Budget** – A budget of estimated cash receipts and disbursements is submitted to the Medina County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

**Estimated Resources** – The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**Appropriations** – A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

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Encumbrances – The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

### **Note 5 – General Operating Assumptions**

The Cloverleaf Local School District will continue to operate its instructional program in accordance with its adopted and anticipated school calendars and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

### **Note 6 – Significant Assumptions for Revenues and Other Financing Sources**

#### **General and Tangible Personal Property Taxes**

Property taxes are applied to real property, public utility real and personal property and manufactured homes which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Medina County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2015 (the collection year) for real and public utility property taxes represents collections of 2014 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "Property Tax Allocation".

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against the next fiscal year scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal years 2015 through 2019.

The property tax revenues for the general fund are generated from several levies. The current levies being collected for the general fund, the year approved, first year of collection, and the full tax rate are as follows:

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Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$4.50
Continuing Operating	1976	n/a	n/a	22.90
Continuing Operating	1981	n/a	n/a	10.00
Continuing Operating	1990	n/a	n/a	10.00
Emergency (\$2,813,000)	2008	2010	2019	6.10
Emergency (\$1,632,700)	2014	2015	2024	3.50
Total Tax Rate				\$57.00

The School District also has a levy for permanent improvements with a rate of \$2.00 per \$1,000 of assessed valuation. The School District's total tax rate is \$59.00 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$27.30 per \$1,000 of assessed valuation for collection year 2014, and the effective commercial and industrial real property tax rate is \$28.44 per \$1,000 of assessed valuation for collection year 2014.

Public utility personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes.

General Property Tax – General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Medina County Auditor. The School District anticipates an increase of \$844,000 in fiscal year 2015 due to receiving half a year of collections in the fiscal year at a higher rate due to a new emergency levy passed on May 6, 2014. Fiscal year 2016 will increase by an additional \$601,000 due to the School District collecting a full year's worth at the higher property tax rate. Fiscal years 2017 through 2019 are expected to be in line with fiscal year 2016, but slightly decrease each subsequent year due to slightly lower estimated assessed values in each of those years.

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### **Income Tax**

On November 7, 2006, the voters approved a continuing, 0.5 percent income tax that became effective on January 1, 2007. Then on May 6, 2014, voters approved an additional 0.75 percent income tax that is effective January 1, 2015. The tax is levied on the earned income of residents of the Cloverleaf Local School District. The forecasted amount is based upon the Ohio Department of Taxation's timeline for receiving district income tax payments and the estimated percentages for collections per quarter by the State Tax Commissioner. The School District will realize an increase from the additional 0.75 percent at the end of fiscal year 2015 as the School District will receive its first settlement in April 2015 at the new rate. Income tax revenue is anticipated to increase by \$1,922,000 in fiscal year 2016 and then additional \$1,039,000 in fiscal year 2017 over the prior fiscal year as full collections become realized. Fiscal years 2018 and 2019 will begin to level out and only see slight increases due to a conservative 1 percent estimated growth.

### **Unrestricted Grants-in-Aid**

In fiscal year 2011, Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills for 2012 and 2013 and 20 mills for 2014 and thereafter.

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed to move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism was not formulated at that time, the administration decided to fund school districts in fiscal years 2012 and 2013 based on a transitional approach until a new formula is devised. This transitional approach was referred to as the Bridge formula. The Bridge formula divided the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding was then multiplied by the fiscal year 2012 and 2013 ADM. The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills of property taxes for fiscal years 2012 and 2013. In addition to this adjustment, each school district's fiscal year 2012 and 2013 funding was further adjusted so that the district received at least the total funding it received in fiscal year 2011 after subtracting the state fiscal stabilization funds from total funding, as well as to provide financial incentives for high performing districts.

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continued to use the current fiscal year count taken during the first full week of October. This amount was then multiplied by the State Share Index, which factored in the property wealth and the income of residents of

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the school district. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts are guaranteed to the amount received for fiscal year 2014 (including transportation aid and funding for career technical education) and no school district will receive an increase greater than 6.25 percent. Based on the most current foundation settlement, the School District estimates \$9,154,000 in foundation funding for fiscal years 2015 through 2019.

Beginning in fiscal year 2013, the School District started receiving additional unrestricted grants-in-aid revenue due to casino revenue. The first two casinos opened in Ohio in May 2012, with two more casinos to follow. Of the casino revenue collected by the State, 34 percent is distributed to school districts, based on student population. The School District anticipates casino revenue of \$130,000 in fiscal year 2015 for a total unrestricted grants-in-aid amount of \$9,284,000. This amount is forecasted to remain consistent throughout the forecast period.

### **Restricted Grants-in-Aid**

Restricted grants-in-aid consisted of career technologies programs and state poverty based assistance programs. For fiscal year 2015 and thereafter, the School District anticipates \$21,000 in career technologies monies and \$78,000 in State poverty based assistance monies.

### **Restricted Federal Grants-in-Aid**

In 2010, Congress passed, and the President signed, legislation that provided \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant was used only for compensation and benefits and other expenditures, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds had limited restrictions on their use. The School District received \$501,000 in fiscal year 2011 and \$13,000 in fiscal year 2012. The School District chose to use these funds for salaries and benefits for teachers. The Education Jobs grant has not been reauthorized by the Federal government.

### **Property Tax Allocation**

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption will increase State allocation revenue and decrease property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Homestead and rollback revenue is forecasted to increase in fiscal years 2015 and 2016 due to higher collections from the passage of the emergency property tax levy in May of 2014. The increases in fiscal years 2017 through 2019 are expected to taper off and remain steady once full collections from the levy are realized.

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In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District was to be fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. House Bill 153 further accelerated the phase out of tangible personal property tax reimbursements. Reimbursement is based upon a measure of reliance on reimbursement revenue. The reimbursement is calculated by comparing the School District's fiscal year 2011 reimbursement to the total resource of the School District and comparing that to a State-wide threshold percentage. The School District does not anticipate receiving any further tangible personal property reimbursements from the State.

### All Other Revenues

All other revenues consist of the following:

	Forecasted				
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2015	2016	2017	2018	2019
Open Enrollment	\$340,000	\$340,000	\$340,000	\$340,000	\$340,000
Tuition	192,000	192,000	192,000	192,000	192,000
Medicaid	190,000	110,000	110,000	110,000	110,000
Refund of Prior Year Expenditures	166,000	100,000	100,000	100,000	100,000
Property Tax Abatements	50,000	50,000	50,000	50,000	50,000
Extracurricular Fees	24,000	0	0	0	0
Other	11,000	11,000	11,000	11,000	11,000
Interest	24,000	34,000	53,000	70,000	83,000
Sale of Capital Assets	4,000	4,000	4,000	4,000	4,000
Totals	<u>\$1,001,000</u>	<u>\$841,000</u>	<u>\$860,000</u>	<u>\$877,000</u>	<u>\$890,000</u>

Open enrollment tuition revenue is expected to increase from fiscal year 2014 and remain flat for the forecast period due to the anticipated increase in the number of students coming back into the School District because of various enhancements being able to be made with the passage of the new levy.

Tuition revenue is expected to decrease due to slightly lower anticipated special education tuition from fiscal year 2014. This revenue is expected to remain flat for the forecast period.

Medicaid revenue is expected to increase significantly in fiscal year 2015 over the prior fiscal year due to a one-time reimbursement. All subsequent forecasted fiscal years are anticipated to drop back down and remain consistent with fiscal year 2014 levels.

Refund of prior year expenditures for the forecasted fiscal years are expected to decrease significantly from fiscal year 2014 for fiscal years 2016 through 2019. This revenue in fiscal year 2014 was high due to reimbursements from the Ohio Bureau of Workers' Compensation and the Medina County Educational Service Center. The decrease in fiscal year 2015 won't be as drastic as the School District will receive one more additional reimbursement from the Ohio Bureau of Workers' Compensation.

The School District receipted property tax abatement revenue into a separate fund in prior fiscal years. Since beginning the receipt of the property tax abatement revenue into the general fund in fiscal year 2011, these revenues have consistently hovered around \$50,000, with the exception of fiscal year 2013. This revenue is expected to stay around the \$50,000 level for the forecasted fiscal years.

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### **Summary of Significant Assumptions and Accounting Policies For the Fiscal Years Ending June 30, 2015 through June 30, 2019**

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The School District has a pay to participate fee that is charged for extracurricular activities. The extracurricular fees in fiscal year 2015 are expected to be in line with fiscal year 2014 and then be discontinued for the subsequent forecast period as these fees are expected to be phased out and any residual fees that are collected will be recorded in the district managed student activity fund.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. While interest rates are expected to hover around current rates, interest revenue is expected to increase proportionately with cash balances as it increases over the forecast period.

#### **Other Financing Sources**

Proceeds from Sale of Notes – During fiscal year 2012, the School District issued \$1,000,000 in tax anticipation notes at an interest rate of 1.36 percent. The School District does not anticipate issuing any tax anticipation notes during the forecast period.

Solvency Assistance Advance – During fiscal year 2012, the School District received a Solvency Assistance Fund Advance in the amount of \$678,000 from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-93-03 of the Ohio Administrative Code. The advance was repaid over fiscal years 2013 and 2014 from State foundation revenues.

Advances In – During fiscal year 2012, the general fund advanced \$280,000 to other funds, with the majority going to the food service fund. Rather than advancing money back and forth every year between the general and food service funds, the food service fund kept the money received in fiscal year 2012 and will advance money back to the general fund as it can once it builds up its balance.

#### **Note 7 – Significant Assumptions for Expenditures and Other Financing Uses**

##### **Personal Services**

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff. In addition to regular salaries, it includes payment for substitutes, supplemental contracts, severance pay, overtime, board salaries, and student workers. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education.

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Staffing levels for the last three fiscal years and the current fiscal year are displayed in the following chart. The amounts represent full time equivalents. Staffing levels are anticipated to increase due to restoring bussing and more teachers being paid out of grant funds.

	2012	2013	2014	2015
<i>General Fund:</i>				
Certified	167	156	148	145
Classified	124	116	113	120
Total General Fund:	291	272	261	265
<i>Other Funds:</i>				
Certified	16	8	20	23
Classified	28	31	25	23
Total Other Funds:	44	39	45	46
Totals	335	311	306	311

The following table presents a comparison of salaries and wages for fiscal years 2015 through 2019:

	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Certified Salaries	\$9,237,000	\$9,512,000	\$9,899,000	\$9,974,000	\$10,029,000
Classified Salaries	2,723,000	2,831,000	2,859,000	2,885,000	2,917,000
Substitute Salaries	577,000	577,000	577,000	578,000	577,000
Supplemental Contracts	278,000	286,000	295,000	303,000	313,000
Severance	357,000	271,000	271,000	271,000	271,000
Overtime	55,000	55,000	55,000	55,000	55,000
Other Salaries and Wages	49,000	49,000	49,000	49,000	49,000
Totals	\$13,276,000	\$13,581,000	\$14,005,000	\$14,115,000	\$14,211,000

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases and educational incentives for existing staff. The contract currently being followed covers the period of July 1, 2012 to June 30, 2015. Negotiations for a new contract will begin in early calendar year 2016. Each 1 percent increase to certified salaries would cost the School District approximately \$92,000. The School District is forecasting a 3 percent base increase in certified salaries along with the 1.5 percent annual step increase that they currently receive. While administrators have not seen wage increases in many years, it is expected that they will receive a 2 percent increase, annually, starting in fiscal year 2016. In fiscal year 2017, it is anticipated that four new teachers will be hired in order to fulfill new educational programs. Due to these anticipated increases and new hires, it is anticipated that certified salaries will increase by approximately \$211,000 a year on average.

Classified salaries are based on a negotiated contract which includes step increases. Like the certified employee contract, the classified contract covers the period of July 1, 2012 to June 30, 2015. Classified employees are expected to see similar base and step increases as classified employees and trend the same way for the forecast period with each 1 percent increase in classified salaries costing the School District \$27,000; however, no new positions have been forecasted for classified staff.

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Substitute salaries are forecasted to fall in line with their historical average and remain flat over the forecast period while supplemental contracts are anticipated to increase in line with certified salaries.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Severance pay to certified employees is equal to thirty percent of their unused sick leave, but not to exceed 300 days as well as \$100 for each two years of teaching service in the bargaining unit of the School District. This is payable within seventy-five calendar days of the last day under contract with the School District. Severance pay to classified employees is equal to thirty percent of their unused sick leave, but not to exceed 300 days as well as \$50 for each year of service with the School District. This is payable no later than the second pay following the employee's last scheduled paycheck. Severance costs are anticipated to increase in fiscal year 2015 due to more employees retiring due to changes in retirement qualifications coming for the retirement systems. Fiscal year 2016 is expected to decrease and remain flat for the forecast period.

Overtime is forecasted to slightly increase from the prior fiscal year and follow a historical average for the forecast period.

Other salaries, which consist of board salaries and student worker wages, are forecasted to remain consistent with the prior fiscal year throughout the forecast period.

### **Employees' Retirement/Insurance Benefits**

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, Medicare, workers' compensation, and other benefits arising from the negotiated agreements.

The following table presents a comparison of employee's retirement/insurance benefits for fiscal years 2015 through 2019:

	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Employer's Retirement	\$2,030,000	\$2,080,000	\$2,089,000	\$2,104,000	\$2,116,000
Health Care/Life Insurance	3,255,000	3,938,000	4,425,000	4,868,000	5,354,000
Workers' Compensation	125,000	114,000	118,000	120,000	121,000
Medicare	193,000	197,000	203,000	204,000	206,000
Unemployment	12,000	12,000	12,000	12,000	12,000
Other Benefits	1,000	1,000	1,000	1,000	1,000
Totals	<u>\$5,616,000</u>	<u>\$6,342,000</u>	<u>\$6,848,000</u>	<u>\$7,309,000</u>	<u>\$7,810,000</u>

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. The School District pays the employee retirement contributions for its superintendent, treasurer and other administrators. With each 1 percent increase in salaries earned, it is estimated to cost the School District an additional \$17,000 in STRS and SERS contributions. The decrease that appears in fiscal year 2015 is due to fewer certified employees paid out of general fund, but subsequent years will start to increase due to forecasted wage increases.

## Cloverleaf Local School District

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In years past, SERS has been paid six months in arrears by Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one was for the school districts to pay the six month arrearage by June 30, 2010, to become current. Option two was for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. Cloverleaf Local School District chose option two and had a total arrearage liability of \$325,536, with annual payments of \$54,256, at that time. The District has two payments left to be made in fiscal years 2015 and 2016.

Health care and dental insurance rates are fixed by the Board of Education on a yearly basis, from July to June. The monthly payments for health care benefits are as follows:

<u>Coverage</u>	<u>Effective July 1, 2013</u>	<u>Effective July 1, 2014</u>
Health:		
Single	\$603.43	\$633.60
Family	1,465.90	1,539.20
Dental:		
Single	76.67	80.50
Family	189.02	198.47

Health care and life insurance costs are based on the number of employees participating in the program and the type of coverage provided to each employee. The health care program includes medical, prescription drug and dental care. Health care and life insurance rates are fixed for a twelve month period. Each subsequent forecasted fiscal year is anticipated to increase by 10 percent based on the Stark County Schools Council of Governments' recommendation, which the School District is a member of for its Health Benefits Program. Another factor for the increases are due to the School District anticipating only one premium holiday per fiscal year, as opposed to two in as in years past.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. The School District is anticipated to pay 100 percent of the premium for calendar year 2014 in February 2015, as in prior fiscal years. The workers' compensation premium due in fiscal year 2015 is forecasted to increase from the prior fiscal year due to a higher rate than the prior calendar year covered. Subsequent forecasted fiscal years are forecasted to decrease, even though wages are higher, due to the Ohio Bureau of Workers' Compensation planning to cut back its rates in future years as part of the restructuring under the Governor's "A Billion Back" plan.

Unemployment and other benefits are forecasted to stay in line with the prior fiscal year throughout the forecast period.

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**Purchased Services**

The following table presents a comparison of purchased services for fiscal years 2015 through 2019.

	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Tuition Payments	\$2,680,000	\$2,735,000	\$2,796,000	\$2,865,000	\$2,940,000
Professional and Technical Services	1,056,000	1,097,000	1,158,000	1,223,000	1,311,000
Utility Services	639,000	683,000	732,000	785,000	844,000
Property Services	309,000	315,000	322,000	329,000	337,000
Communication Costs	93,000	93,000	93,000	93,000	93,000
Travel and Meeting Expenses	20,000	20,000	20,000	20,000	20,000
Trade Services	10,000	10,000	10,000	10,000	10,000
Pupil Transportation	5,000	5,000	5,000	5,000	5,000
Totals	<u>\$4,812,000</u>	<u>\$4,958,000</u>	<u>\$5,136,000</u>	<u>\$5,330,000</u>	<u>\$5,560,000</u>

Tuition payments are expected to increase significantly due to increases in special education excess costs relating to more special education students and new special education requirements, the School District's participation in the Jon Peterson Special Needs Scholarship Program, and increased open enrollment out due to more students opting for the Post-Secondary Enrollment Option. Professional and technical services are anticipated to increase in fiscal year 2015 over fiscal year 2014 due to increased nursing requirements for occupational and physical therapy and behavioral therapy. Also contributing to this increase are new requirements for special education services to contribute to their employees' retirement system, with the increased cost being passed on to the districts that use these services. These costs are anticipated to increase in each subsequent fiscal year. Utility services costs are expected to increase due to higher electric costs associated with new EPA requirements that will increase rates, as well as higher usage with the reopening of buildings to after school activities for the community. Property services are forecasted to increase from the prior fiscal year due to the need for property repairs that have been put off in prior fiscal years. Communication, travel and meeting, trade, and pupil transportation expenditures are anticipated to remain consistent with prior fiscal years for all forecasted fiscal years.

**Supplies and Materials**

Presented below is a comparison of supplies and materials for fiscal years 2015 through 2019.

	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
General Supplies	\$286,000	\$304,000	\$323,000	\$344,000	\$365,000
Library Books, Periodicals, and Workbooks	77,000	77,000	77,000	77,000	77,000
Maintenance and Repair Supplies	98,000	98,000	98,000	98,000	98,000
Transporation Supplies	490,000	519,000	550,000	583,000	619,000
Totals	<u>\$951,000</u>	<u>\$998,000</u>	<u>\$1,048,000</u>	<u>\$1,102,000</u>	<u>\$1,159,000</u>

## **Cloverleaf Local School District**

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Supplies and materials are forecasted to increase throughout the forecast period due to general supply expenditures for technological infrastructure requirements related to Partnership for Assessment of Readiness for College and Careers (PARCC) assessment testing.

### **Capital Outlay**

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2015, the School District is forecasting \$149,000 in equipment expenditures and a \$50,000 increase in each subsequent fiscal year for equipment related to testing.

### **Debt Service**

During fiscal year 2012, the School District issued \$1,000,000 in revenue anticipation notes at 1.36 percent. The School District paid the entire note back during fiscal year 2012. The School District paid \$3,000 in interest on these notes in fiscal year 2012.

During fiscal year 2012, the School District received an interest free State solvency assistance advance in the amount of \$678,000. The State solvency assistance advance was paid from the general fund with school foundation revenue. The School District paid \$339,000 in principal on this advance in fiscal year 2013 and made the final \$339,000 payment in fiscal year 2014.

### **Other Objects**

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of \$389,000 in fiscal year 2015 and are expected to increase slightly each following year mainly due to higher anticipated auditor and treasurer fees being collected in proportion to the higher property taxes being collected throughout the forecast period. The fiscal year 2015 amount is lower than the prior fiscal year primarily due to the School District paying lower County election expenses, as there is no longer a need to put levies on the ballot.

### **Transfers and Advances Out**

For all forecasted fiscal years, \$87,000 in transfers is anticipated to be made to the district managed activities fund to cover operating costs. In prior fiscal years, transfers were made to the district managed activities and food service funds.

For all forecasted fiscal years, it is anticipated that monies may need to be advanced out to other funds to temporarily cover operations due to timing in the collection of Federal and State grants.

### **Note 8 – Encumbrances**

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects are forecasted to be \$136,000 for the fiscal years 2015 through 2019.

## Cloverleaf Local School District

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### **Note 9 – Capital Acquisition and Improvements Set-Aside**

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

The set aside amount required for fiscal year 2015 is \$434,000 and expected to be approximately \$465,000 for the remaining forecasted fiscal years. The School District anticipates \$937,000 in offsets for all forecasted fiscal years due to the permanent improvement tax levy. Therefore, no reserve for capital acquisition and improvements is forecasted.

### **Note 10 – Levies**

The School District has placed several levies on the ballot in the last 10 years. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Election Results
March 2004	Emergency	\$4,200,000	5 Years	Failed
November 2004	Emergency	3,800,000	5 Years	Failed
February 2005	Emergency	4,102,200	5 Years	Failed
May 2005	Permanent Improvement (Replacement)	2.00 mills	5 Years	Passed
May 2005	Earned Income Tax	1.25%	5 Years	Failed
August 2005	Emergency	2,813,100	5 Years	Passed
May 2006	Emergency	2,732,600	5 Years	Failed
August 2006	Emergency	2,732,600	5 Years	Failed
November 2006	Earned Income Tax	0.50%	Continuing	Passed
November 2007	Emergency (Renewal)	2,813,100	5 Years	Failed
March 2008	Emergency (Renewal)	2,813,100	5 Years	Failed
November 2008	Emergency (Renewal)	2,813,100	5 Years	Passed
May 2010	Permanent Improvement (Renewal)	2.00 mills	5 Years	Failed
November 2010	Permanent Improvement (Renewal)	2.00 mills	5 Years	Passed
November 2010	Emergency	2,720,490	5 Years	Failed
November 2011	Emergency	3,043,632	5 Years	Failed
November 2012	Emergency	3,252,300	10 Years	Failed
May 2013	Emergency	3,724,000	10 Years	Failed
August 2013	Emergency (Renewal)	2,813,100	10 Years	Passed
August 2013	Emergency	3,724,000	10 Years	Failed
November 2013	Emergency	3,724,000	10 Years	Failed
May 2014	Emergency	1,632,700	10 Years	Passed
May 2014	Earned Income Tax	0.75%	10 Years	Passed

**Cloverleaf Local School District**

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**Note 11 – Pending Litigation**

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

**Note 12 – Other Funds**

The School District has numerous other funds that account for resources that are restricted for specific purposes.

The School District uses the food service fund to account for the charges for services and operating grants restricted to the food service operations of the School District. This fund is forecasted to generate adequate revenue to maintain operations during the forecast period.

All other funds of the School District are anticipated to have sufficient resources to meet their obligations during the forecast period. There are certain funds that annually rely upon advances from the general fund to meet their obligations. These advances are addressed in Note 7.

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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  
JANUARY 27, 2015**