



Dave Yost • Auditor of State

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

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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, 2016, 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, 2016, 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*, and schedules of net pension liabilities and pension contributions 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 March 14, 2017 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

March 14, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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, 2016. 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 2016 are as follows:

- Ending net position was negative \$11.6 million, an increase of \$5.8 million in comparison with the prior fiscal year-end.
- The District had \$30.9 million in expenses related to governmental activities. \$3.9 million of these expenses was offset by program specific charges for services, grants or contributions, while the remaining amount was covered by general revenues totaling \$32.8 million.
- The District's major governmental funds are the general fund, the permanent improvement fund, and the capital grants fund. The general fund had \$32.0 million in revenues and \$26.3 million in expenditures and other financing uses. During fiscal year 2016, the general fund's fund balance increased \$5.8 million.
- The District's permanent improvement fund had \$1.3 million in revenues and other financing sources and \$1.9 million in expenditures and other financing uses. During fiscal year 2016, the permanent improvement fund's fund balance decreased \$601,416.
- The District's capital grants fund had \$1.1 million in revenues and \$1.2 million in expenditures. During fiscal year 2016, the capital grant fund's fund balance decreased \$89,307.

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, 2016
(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 2016?" 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Reporting the District's Most Significant Funds

Fund Financial Statements

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.

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 start on page 25 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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, 2016 and June 30, 2015.

	Net Position	
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current and Other Assets	\$ 33,122,467	\$ 27,265,328
Capital Assets	34,009,827	34,141,708
Total Assets	<u>67,132,294</u>	<u>61,407,036</u>
<u>Deferred Outflows of Resources</u>		
Unamortized Amount on Refunding	1,359,643	1,421,445
Pension	3,627,836	2,317,233
Total Deferred Outflows of Resources	<u>4,987,479</u>	<u>3,738,678</u>
<u>Liabilities</u>		
Current Liabilities	3,307,563	3,099,692
Long-term Liabilities:		
Due Within One Year	581,760	591,070
Due in More than One Year:		
Net Pension Liability	35,852,190	31,553,350
Other Amounts Due in More than One Year	28,736,621	28,795,690
Total Liabilities	<u>68,478,134</u>	<u>64,039,802</u>
<u>Deferred Inflows of Resources</u>		
Property Taxes	12,919,075	12,737,222
Pension	2,293,328	5,693,578
Total Deferred Inflows of Resources	<u>15,212,403</u>	<u>18,430,800</u>
<u>Net Position</u>		
Net Investment in Capital Assets	7,807,940	8,190,590
Restricted	3,385,926	3,596,917
Unrestricted	(22,764,630)	(29,112,395)
Total Net Position	<u>\$ (11,570,764)</u>	<u>\$ (17,324,888)</u>

Current and Other Assets increased significantly in comparison with the prior fiscal year-end. This increase is primarily the result of an increase in cash and cash equivalents.

The Net Pension Liability increased significantly. This increase is primarily the result of unfavorable pension investment returns.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$11.6 million.

The District's net investment in capital assets, including land, land improvements, buildings and improvements, furniture and equipment and vehicles, at June 30, 2016 was \$7.8 million. 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.

An additional portion of the District's net position, totaling \$3.4 million, represents resources that are subject to external restriction on how they may be used. Of this balance, \$3.1 million is restricted for capital projects.

Governmental Activities

Net position of the District's governmental activities increased \$5.8 million. Total governmental expenses of \$30.9 million were offset by program revenues of \$3.9 million and general revenues of \$32.8 million.

The primary sources of revenue for governmental activities in fiscal year 2016 are derived from property taxes, school district income taxes and grants and entitlements. These revenue sources represent 85.0% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$17.6 million, 57% of total governmental expenses for fiscal year 2016.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The table that follows shows the change in net position for fiscal years 2016 and 2015.

	Change in Net Position	
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Program Revenues		
Charges for Services and Sales	\$ 2,096,261	\$ 1,873,797
Operating Grants and Contributions	1,787,513	2,047,912
Capital Grants and Contributions	-	267,380
General Revenues		
Property Taxes	15,447,152	13,765,184
Income Taxes	5,235,985	3,024,756
Grants and Entitlements	10,465,795	10,995,736
Shared Sales Taxes	1,371,467	1,059,432
Payments in Lieu of Taxes	62,382	59,167
Investment Earnings	82,869	12,141
Miscellaneous	114,443	263,360
Total Revenues	<u>36,663,867</u>	<u>33,368,865</u>
Program Expenses		
Instructional	17,610,850	17,093,941
Support Services	10,105,296	9,622,998
Food Service	939,184	1,074,654
Community Services	447,131	420,879
Extracurricular Activities	660,362	734,831
Interest and Fiscal Charges	1,146,920	572,538
Total Expenses	<u>30,909,743</u>	<u>29,519,841</u>
Change in Net Position	<u>5,754,124</u>	<u>3,849,024</u>
Net Position at Beginning of Year	<u>(17,324,888)</u>	<u>(21,173,912)</u>
Net Position at End of Year	<u>\$ (11,570,764)</u>	<u>\$ (17,324,888)</u>

Property Taxes and Income Taxes both increased significantly in comparison with the prior fiscal year. This increase is primarily the result of the additional 3.5 mill operating levy and additional 0.75% income tax passed on May 6, 2014. Fiscal year 2016 was the first full year of collection for these additional taxes.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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.

	Total Cost of 2016 Services	Total Cost of 2015 Services	Net Cost of 2016 Services	Net Cost of 2015 Services
Governmental Activities				
Instructional	\$ 17,610,850	\$ 17,093,941	\$ 15,694,136	\$ 15,103,761
Support Services	10,105,296	9,622,998	9,749,946	9,371,185
Food Service	939,184	1,074,654	4,124	44,533
Community Services	447,131	420,879	112,031	74,007
Extracurricular Activities	660,362	734,831	318,812	432,108
Interest and Fiscal Charges	1,146,920	572,538	1,146,920	305,158
Total	<u>\$ 30,909,743</u>	<u>\$ 29,519,841</u>	<u>\$ 27,025,969</u>	<u>\$ 25,330,752</u>

The District's dependence upon taxes and other general revenues for governmental activities is apparent, as 89.1% of instruction activities are supported through such revenues. For all governmental activities, general revenue support is 87.4%. The District's taxpayers, grants and entitlements received from the State of Ohio and Medina County, are the primary support for the District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The District's Funds

The District's governmental funds, as presented on the balance sheet on page 17, reported a combined fund balance of \$15.7 million, which is greater than last year's fund balance of \$10.4 million. This increase is primarily the result of increases in property and income taxes during fiscal year 2016. The schedule below indicates the District's fund balances June 30, 2016 and 2015 and the net change in those fund balances during the year.

Funds:	Fund Balance June 30, 2016	Fund Balance June 30, 2015	Increase/ (Decrease)
General	13,389,390	7,598,539	5,790,851
Permanent Improvement	1,599,560	2,200,976	(601,416)
Capital Grants	698,276	787,583	(89,307)
Other Governmental	53,114	(213,586)	266,700
Total	15,740,340	10,373,512	5,366,828

General Fund

During 2016, the District's General Fund revenues were 11.3% greater than in fiscal year 2015. This is primarily due to the increase in Property and Income taxes.

Overall, expenditures increased \$1.1 million, or 4.4%, from 2015. This increase is primarily the result of an increase in the amount of instruction and support services.

The table that follows assists in illustrating the activities of the General Fund during fiscal year 2016.

	2016	2015	Change
<u>Revenues</u>			
Taxes and Payments in Lieu of Taxes	\$ 19,860,743	\$ 15,921,078	24.7%
Tuition and Classroom Fees	746,191	591,332	26.2%
Interest Earnings	82,397	11,785	599.2%
Charges for Services	510,108	504,424	1.1%
Extracurricular	4,455	2,900	53.6%
Intergovernmental	10,619,663	11,393,950	-6.8%
Other Revenue	221,424	375,132	-41.0%
Total Revenues	\$ 32,044,981	\$ 28,800,601	11.3%
<u>Expenditures</u>			
Instruction	\$ 16,200,263	\$ 15,542,536	4.2%
Support Services	8,829,348	8,470,049	4.2%
Community Services	322,407	295,251	9.2%
Extracurricular	508,034	484,101	4.9%
Capital Outlay	19,661	-	100.0%
Debt Service	47,690	47,690	0.0%
Total Expenditures	\$ 25,927,403	\$ 24,839,627	4.4%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Permanent Improvement Fund

The District's permanent improvement fund had \$1.3 million in revenues and other financing sources and \$1.9 million in expenditures and other financing uses. During fiscal year 2016, the permanent improvement fund's fund balance decreased \$601,416.

Capital Grants Fund

The District's capital grants fund had \$1.1 million in revenues and \$1.2 million 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. During 2016, the District recognized \$1.0 million in expenditures for interest payments on the District's certificates of participation. The capital grant fund's fund balance decreased \$89,307.

General Fund Budgeting Highlights

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

During fiscal year 2016, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$23.5 million and were increased to \$25.8 million in the final budget. The variance between final budgeted revenues and other financing sources was insignificant.

General fund original appropriations were \$21.1 million and were increased to \$22.2 million during the fiscal year. The variance between final appropriations and actual budgetary expenditures was insignificant.

Capital Assets

At fiscal year-end, the District had \$34.0 million (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment and fixtures, and vehicles, a decrease of \$131,881 in comparison with the prior fiscal year-end. This decrease represents the amount in which current year depreciation of \$1.4 million and disposals of \$24,904 exceeded additions of \$1.3 million. See note 9 to the basic financial statements for additional information on Capital Assets.

Debt Administration

At fiscal year-end, the District's long-term debt totaled \$27.0 million, a decrease of \$200,004 in comparison with the prior fiscal year. This decrease represents principal reduction payments. See note 10 to the basic financial statements for additional information on long-term obligations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Current Financial Related Activities

The District has faced a variety of financial challenges in recent years. 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 financial condition has significantly improved because of these increases.

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**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 14,937,147
Receivables:	
Property Taxes	14,396,086
Income Taxes	2,405,191
Shared Sales Taxes	801,555
Payments in Lieu of Taxes	77,822
Due From Other Governments	351,030
Prepaid Assets	129,564
Materials and Supplies Inventory	24,072
Capital Assets:	
Non-Depreciable Capital Assets	987,720
Depreciable Capital Assets	33,022,107
Total Assets	67,132,294
Deferred Outflows of Resources	
Deferred Charge on Refunding	1,359,643
Pension	3,627,836
Total Deferred Outflows of Resources	4,987,479
Liabilities	
Accounts Payable	395,485
Accrued Wages and Benefits Payable	2,142,591
Due to Other Governments	407,517
Accrued Interest Payable	361,970
Long-Term Liabilities:	
Due Within One Year	581,760
Due in More Than One Year:	
Net Pension Liability	35,852,190
Other Amounts Due in More Than One Year	28,736,621
Total Liabilities	68,478,134
Deferred Inflows of Resources	
Property and Other Local Taxes	12,919,075
Pension	2,293,328
Total Deferred Inflows of Resources	15,212,403
Net Position	
Net Investment in Capital Assets	7,807,940
Restricted for:	
Debt Service	101,895
Capital Improvements	3,059,226
Locally Funded Programs	4,299
Extracurricular Activities	138,687
Federally Funded Programs	81,819
Unrestricted	(22,764,630)
Total Net Position	\$ (11,570,764)

See accompanying notes to the basic financial statements.

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Program Revenues		Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
			Governmental Activities
Governmental Activities			
Instruction:			
Regular	\$ 12,400,068	\$ 981,186	\$ 303,425
Special	3,455,831	-	632,103
Vocational	79,915	-	-
Other Instruction	1,675,036	-	-
Support services:			
Pupils	1,620,820	69,969	106,600
Instructional Staff	964,173	-	159,368
Board of Education	220,270	-	-
Administration	1,449,184	-	4,015
Fiscal	611,782	-	4,423
Business	131,602	5,517	-
Operation and Maintenance	2,890,986	-	3,273
Pupil Transportation	2,124,551	-	-
Central	91,928	-	2,185
Food Service Operations	939,184	362,939	572,121
Community Services	447,131	335,100	-
Extracurricular Activities	660,362	341,550	-
Interest and Fiscal Charges	1,146,920	-	-
Total Governmental Activities	\$ 30,909,743	\$ 2,096,261	\$ 1,787,513
General Revenues			
Property Taxes Levied for:			
General Purposes			14,553,473
Capital Outlay			893,679
Income Taxes Levied for General Purposes			5,235,985
Payments in Lieu of Taxes			62,382
Unrestricted Grants and Entitlements			10,465,795
Shared Sales Taxes			1,371,467
Investment Earnings			82,869
Miscellaneous			114,443
Total General Revenues			32,780,093
 Change in Net Position			 5,754,124
 Net Position Beginning of Year			 (17,324,888)
Net Position End of Year			\$ (11,570,764)

See accompanying notes to the basic financial statements.

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016**

	General Fund	Permanent Improvement Fund	Capital Grants Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 12,437,015	\$ 1,884,174	\$ 454,186	\$ 161,772	\$ 14,937,147
Receivables:					
Property Taxes	13,569,204	826,882	-	-	14,396,086
Income Taxes	2,405,191	-	-	-	2,405,191
Shared Sales Taxes	-	-	801,555	-	801,555
Payments in Lieu of Taxes	73,248	4,574	-	-	77,822
Due From Other Governments	-	-	-	351,030	351,030
Due From Other Funds	188,003	-	-	-	188,003
Prepaid Assets	27,791	-	-	101,773	129,564
Materials and Supplies Inventory	-	-	-	24,072	24,072
Total Assets	\$ 28,700,452	\$ 2,715,630	\$ 1,255,741	\$ 638,647	\$ 33,310,470
Liabilities:					
Accounts Payable	\$ 40,708	\$ 353,624	\$ -	\$ 1,153	\$ 395,485
Accrued Wages and Benefits Payable	1,987,378	-	-	155,213	2,142,591
Due to Other Governments	376,635	-	-	30,882	407,517
Due To Other Funds	-	-	-	188,003	188,003
Matured Leave Benefits Payable	69,709	-	-	-	69,709
Total Liabilities	2,474,430	353,624	-	375,251	3,203,305
Deferred Inflows of Resources:					
Unavailable Revenue	661,845	18,158	557,465	210,282	1,447,750
Property and Other Local Taxes	12,174,787	744,288	-	-	12,919,075
Total Deferred Inflows of Resources	12,836,632	762,446	557,465	210,282	14,366,825
Fund Balances:					
Non-spendable:					
Prepaid Assets	27,791	-	-	101,773	129,564
Materials and Supplies Inventory	-	-	-	24,072	24,072
Unclaimed Monies	7,848	-	-	-	7,848
Restricted for:					
Debt Service	-	-	-	122	122
Capital Improvements	-	1,599,560	698,276	732	2,298,568
Locally Funded Programs	-	-	-	4,299	4,299
Extracurricular Activities	-	-	-	138,687	138,687
Federally Funded Programs	-	-	-	4,116	4,116
Committed for:					
Community Recreation	417,841	-	-	-	417,841
Background Checks	-	-	-	2,691	2,691
Assigned for:					
Instruction	13,445	-	-	-	13,445
Support Services	43,118	-	-	-	43,118
Capital Outlay	17,413	-	-	-	17,413
Uniform School Supplies	277,239	-	-	-	277,239
Public School Support	116,807	-	-	-	116,807
Unassigned	12,467,888	-	-	(223,378)	12,244,510
Total Fund Balances	13,389,390	1,599,560	698,276	53,114	15,740,340
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 28,700,452	\$ 2,715,630	\$ 1,255,741	\$ 638,647	\$ 33,310,470

See accompanying notes to the basic financial statements.

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2016

Total Governmental Fund Balances \$ 15,740,340

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 34,009,827

Other long-term assets are not available to pay for current period expenditures and therefore are reported as a deferred inflow of resources in the funds.

Property Taxes Receivable	314,513
Income Taxes Receivable	365,490
Shared Sales Taxes Receivable	557,465
Due From Other Governments	210,282

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	3,627,836
Deferred Inflows - Pension	(2,293,328)
Net Pension Liability	(35,852,190)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and Notes Payable	(27,041,320)
Unamortized Amount on Refunding	1,359,643
Accrued Interest Payable	(361,970)
Capital Leases Payable	(335,175)
Compensated Absence Payable	(1,872,177)
	(28,250,999)

Net Position of Governmental Activities \$ (11,570,764)

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Permanent Improvement Fund	Capital Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From Local Sources:					
Property Taxes	\$ 14,646,645	\$ 899,596	\$ -	\$ -	\$ 15,546,241
Income Taxes	5,154,765	-	-	-	5,154,765
Payments in Lieu of Taxes	59,333	3,049	-	-	62,382
Tuition	746,191	-	-	-	746,191
Investment Income	82,397	-	-	472	82,869
Charges for Services	510,108	-	-	342,153	852,261
Extracurricular	4,455	-	-	256,164	260,619
Shared Sales Taxes	-	-	1,092,967	-	1,092,967
Other Local	221,424	201	-	111,484	333,109
Intergovernmental - State	10,454,050	67,401	-	-	10,521,451
Intergovernmental - Federal	165,613	-	-	1,606,513	1,772,126
Total Revenues	32,044,981	970,247	1,092,967	2,316,786	36,424,981
Expenditures:					
Instruction:					
Regular	11,525,352	126,286	-	69,492	11,721,130
Special	2,906,853	-	-	628,520	3,535,373
Vocational	94,941	-	-	-	94,941
Other Instruction	1,673,117	-	-	-	1,673,117
Support services:					
Pupils	1,516,391	-	-	183,310	1,699,701
Instructional Staff	716,691	133,347	-	141,120	991,158
Board of Education	220,270	-	-	-	220,270
Administration	1,451,202	-	-	15,022	1,466,224
Fiscal	604,882	14,656	-	4,905	624,443
Business	128,776	-	-	2,826	131,602
Operation and Maintenance	2,129,826	740,555	-	19,137	2,889,518
Pupil Transportation	1,965,230	71,716	-	-	2,036,946
Central	96,080	-	-	2,558	98,638
Food Service Operations	-	28,263	-	1,001,762	1,030,025
Community Services	322,407	-	-	-	322,407
Extracurricular Activities	508,034	-	-	248,144	756,178
Capital Outlay	19,661	669,157	1,250	12,996	703,064
Debt service:					
Principal Retirement	43,319	25,745	155,000	65,000	289,064
Interest and Fiscal Charges	4,371	3,462	1,026,024	32,021	1,065,878
Total Expenditures	25,927,403	1,813,187	1,182,274	2,426,813	31,349,677
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,117,578	(842,940)	(89,307)	(110,027)	5,075,304
Other Financing Sources (Uses):					
Sale of Assets	-	18,524	-	-	18,524
Inception of Capital Lease	-	273,000	-	-	273,000
Transfers In	-	-	-	376,727	376,727
Transfers Out	(326,727)	(50,000)	-	-	(376,727)
Total Other Financing Sources (Uses)	(326,727)	241,524	-	376,727	291,524
Net Change in Fund Balances	5,790,851	(601,416)	(89,307)	266,700	5,366,828
Fund Balances - Beginning	7,598,539	2,200,976	787,583	(213,586)	10,373,512
Fund Balances - Ending	<u>\$ 13,389,390</u>	<u>\$ 1,599,560</u>	<u>\$ 698,276</u>	<u>\$ 53,114</u>	<u>\$ 15,740,340</u>

See accompanying notes to the basic financial statements.

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 5,366,828

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation Expense	(1,409,525)
Capital Outlay	1,302,548
Net effect of capital assets sales and disposals	(24,904)

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

Property Taxes - Delinquent	(99,089)
Income Taxes	81,220
Shared Sales Taxes	278,500
Due From Other Governments	(40,269)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 2,167,932

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,755,919)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond and COPS Principal Repayments	220,000
Amortization of Bond Discount and Deferred Amount on Refunding	(81,798)
Inception of Capital Lease	(273,000)
Capital Lease Principal Repayments	69,064

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

Compensated Absences	(48,220)
Accrued Interest	756

Change in Net Position of Governmental Activities	\$ 5,754,124
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**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

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, 2016

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
From Local Sources:				
Property Taxes	\$ 9,225,612	\$ 10,125,331	\$ 10,125,331	\$ -
Income Taxes	3,956,285	4,342,118	4,342,118	-
Payments in Lieu of Taxes	40,723	44,695	44,695	-
Tuition	656,944	721,013	721,013	-
Investment Income	25,467	27,950	30,962	3,012
Extracurricular	4,059	4,455	4,455	-
Other Local	87,199	95,702	95,699	(3)
Intergovernmental - State	9,323,514	10,232,781	10,232,781	-
Intergovernmental - Federal	150,897	165,613	165,613	-
Total Revenues	23,470,700	25,759,658	25,762,667	3,009
Expenditures:				
Instruction:				
Regular	14,994,865	7,934,818	7,934,818	-
Special	871,682	2,876,831	2,876,831	-
Vocational	36,800	94,747	94,747	-
Other Instruction	1,956,750	1,675,455	1,675,455	-
Support services:				
Pupils	463,574	1,499,187	1,499,187	-
Instructional Staff	391,616	712,827	712,827	-
Board of Education	168,308	223,331	223,331	-
Administration	85,234	1,447,973	1,447,973	-
Fiscal	281,457	527,298	527,298	-
Business	187,457	176,990	176,990	-
Operation and Maintenance	1,077,493	2,175,074	2,175,074	-
Pupil Transportation	537,964	2,001,517	2,001,517	-
Central	17,350	97,661	97,661	-
Food Service Operations	400	-	-	-
Extracurricular Activities	50	474,349	474,349	-
Capital Outlay		37,074	37,074	-
Total Expenditures	21,071,000	21,955,132	21,955,132	-
Excess of Revenues Over (Under) Expenditures	2,399,700	3,804,526	3,807,535	3,009
Other Financing Sources (Uses):				
Transfers Out	-	(47,021)	(47,021)	-
Advances Out	-	(151,601)	(154,271)	(2,670)
Total Other Financing Sources (Uses)	-	(198,622)	(201,292)	(2,670)
Net Change in Fund Balance	2,399,700	3,605,904	3,606,243	339
Fund Balances at Beginning of Year	6,389,915	6,389,915	6,389,915	-
Prior Year Encumbrances Appropriated	141,188	141,188	141,188	-
Fund Balances at End of Year	\$ 8,930,803	\$ 10,137,007	\$ 10,137,346	\$ 339

See accompanying notes to the basic financial statements.

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF JUNE 30, 2016

	Private-Purpose Trust	Agency Fund
Assets:		
Cash and Cash Equivalents	\$ 22,235	\$ 86,392
Liabilities:		
Accounts Payable	60	1,885
Due to Others	-	84,507
Total Liabilities	60	\$ 86,392
Net Position:		
Held in Trust for Scholarships	\$ 22,175	

See accompanying notes to the basic financial statements.

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Private-Purpose Trust</u>
Additions:	
Gifts and Contributions	<u>\$ 12,416</u>
Deductions:	
Scholarships Awarded	<u> 8,571</u>
Chang in Net Position	3,845
Net Position at Beginning of Year	<u> 18,330</u>
Net Position at End of Year	<u><u>\$ 22,175</u></u>

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, 2016**

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 2,483 students.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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 paid \$81,360 to the Metropolitan Regional Services Council for service provided.

Ohio Schools Council of Governments

The Ohio Schools Council (Council) is a jointly governed organization among 200 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-five northern Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to its members. Each member supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the board. During fiscal year 2016 the District paid the Council \$1,352. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

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. Financial information can be obtained by contacting the Treasurer at the Medina County Career Center, 1101 West Liberty Street, Medina, Ohio 44256.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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 Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refundings and for pensions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue includes delinquent property taxes, intergovernmental revenues, and interest income. These amounts are only reported on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 13).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Expenditures/Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the “operating grants and contributions” program revenue account. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. 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.

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 statement reflects 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 2016. 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, 2016**

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, "cash and cash equivalents".

During the fiscal year, the District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on the last day of the fiscal year.

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 2016 amounted to \$82,397 which includes \$27,728 assigned from other District funds.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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.

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>Estimated Lives</u>
Land improvements	5-20 years
Buildings and improvements	30-50 years
Furniture, fixtures 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 "Due To/From Other Funds" if they will be repaid within one year and "Advances To/From Other Funds" if not. 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 "matured leave benefits payable" in the fund from which the employees who have accumulated leave are paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the funds; however, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term bonds and certificates of participation are recognized as a liability on the governmental fund financial statements when due.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

N. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

O. Fund Balance

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

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

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

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

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

P. 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.

Q. 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.

R. 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 both 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 10.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Food Service	\$ 50,845
Title VI-B	106,886
Title I	38,862
Improving Teacher Quality	2,713

These deficits resulted from the application of accounting principles generally accepted in the United States of America. The General Fund is liable for the deficits in these funds and provides operating transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 – DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$1,973,538. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", \$1,260,935 of the District's bank balance of \$2,022,198 was exposed to custodial risk, while \$761,263 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, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

At fiscal year-end, the District reported the following investments:

Investment Type	Standard & Poor's Rating	Fair Value	Percent of Total	Investment Maturities	
				Within 1 Year	More than 1 Year
STAR Ohio	AAA	\$ 6,013,448	46.00%	\$ 6,013,448	\$ -
FHLB	AA	300,246	2.30%	-	300,246
FHLMC	AA	1,125,551	8.61%	-	1,125,551
FNMA	AA	975,594	7.47%	-	975,594
Comercial Paper	A1	698,635	5.34%	698,635	-
CD's	NR	3,830,285	29.30%	300,518	3,529,767
Money Market	NR	128,477	0.98%	128,477	-
Total		<u>\$ 13,072,236</u>	<u>100.00%</u>	<u>\$ 7,141,078</u>	<u>\$ 5,931,158</u>

In accordance with GASB Statement No. 79, the District's investment in STAR Ohio is reported at amortized cost. For the fiscal year ended June 30, 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. STAR Ohio is rated AAAM by Standard and Poor's.

All other investments are reported at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the District's fair value measurements are valued using quoted market prices (Level 1 inputs).

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 were rated AA and the commercial paper was rated A1 by Standard & Poor's. STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's money market funds and negotiable certificates of deposit were not rated.

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. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer.

C. 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, 2016:

Investments (summarized above)	\$	13,072,236
Carrying Amount of Deposits		1,973,538
Less: Fiduciary Cash and Investments		(108,627)
Total Cash and Cash Equivalents on Statement of Net Position	\$	<u><u>14,937,147</u></u>

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2016, as reported on the fund statements, consist of the following amounts due to and due from other funds:

Due to	Due from	Amount
General fund	Nonmajor governmental funds	<u><u>\$ 188,003</u></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.

B. Interfund transfers for the fiscal year ended June 30, 2016 consisted of the following, as reported on the fund financial statements:

Transfers to other governmental funds:	Transfers From:		Total
	General Fund	Permanent Improvement Fund	
Debt Service Fund	\$ 47,021	\$ 50,000	\$ 97,021
Food Service Fund	279,706	-	279,706
	<u><u>\$ 326,727</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ 376,727</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 – INTERFUND TRANSACTIONS – (Continued)

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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Medina County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$1,171,310 in the general fund and \$69,010 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$1,146,080 in the general fund and \$67,720 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 tax receivable includes real property, public utility property and tangible personal property taxes which are measurable at fiscal year-end 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 revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as a deferred inflow.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 – TAXES - (Continued)

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half		2016 First Half	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 469,456,480	97.74%	\$ 468,938,800	97.67%
Public Utility Personal	10,855,370	2.26%	11,197,500	2.33%
Total	<u>\$ 480,311,850</u>	<u>100.00%</u>	<u>\$ 480,136,300</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 59.00		\$ 59.00	

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 and on May 6, 2014 another .75 percent income tax was passed. 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 2016 amounted to \$5,154,765.

NOTE 7 – PAYMENTS 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 \$62,382 during fiscal year 2016.

NOTE 8 – SHARED SALES TAX REVENUE

During 2007, the voters of Medina County passed an additional one-half percentage sales 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 2016, the District recorded shared sales taxes revenue of \$1,092,967 in the capital grants fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

Governmental Activities	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Nondepreciable Capital Assets					
Land	\$ 593,900	\$ -	\$ -	\$ -	\$ 593,900
Construction in Progress	-	393,820	-	-	393,820
Total Nondepreciable Assets	<u>593,900</u>	<u>393,820</u>	<u>-</u>	<u>-</u>	<u>987,720</u>
Depreciable Capital Assets					
Land Improvements	1,894,951	8,722	-	-	1,903,673
Buildings and Improvements	40,180,736	75,957	(62,907)	356,850	40,550,636
Equipment and Fixtures	1,861,434	450,946	(16,842)	(356,850)	1,938,688
Vehicles	2,525,945	373,103	(240,612)	-	2,658,436
Total Depreciable Assets	<u>46,463,066</u>	<u>908,728</u>	<u>(320,361)</u>	<u>-</u>	<u>47,051,433</u>
Less accumulated depreciation					
Land Improvements	(1,354,916)	(118,281)	-	-	(1,473,197)
Buildings and Improvements	(8,522,895)	(1,173,890)	62,907	-	(9,633,878)
Equipment and Fixtures	(1,154,202)	(77,349)	16,000	-	(1,215,551)
Vehicles	(1,883,245)	(40,005)	216,550	-	(1,706,700)
Total accumulated depreciation	<u>(12,915,258)</u>	<u>(1,409,525)</u>	<u>295,457</u>	<u>-</u>	<u>(14,029,326)</u>
Depreciable Capital Assets, Net of accumulated depreciation	<u>33,547,808</u>	<u>(500,797)</u>	<u>(24,904)</u>	<u>-</u>	<u>33,022,107</u>
Capital Assets, Net	<u>\$ 34,141,708</u>	<u>\$ (106,977)</u>	<u>\$ (24,904)</u>	<u>\$ -</u>	<u>\$ 34,009,827</u>

Depreciation expense was charged to governmental functions as follows:

	<u>Amount</u>
Instruction:	
Regular	\$ 914,253
Special	349
Vocational	3,655
Support Services:	
Instructional Staff	26,903
Fiscal	1,036
Operations and Maintenance	78,725
Pupil Transportation	125,949
Central	409
Food Service	23,715
Community Services	123,002
Extracurricular	111,529
Total Depreciation Expense	<u>\$ 1,409,525</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 – LONG-TERM OBLIGATIONS

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

	Principal Outstanding 7/1/2015	Additions	Deductions	Principal Outstanding 6/30/2016	Due in One Year
2009 Certificates of Participation					
2009A Certificates	\$ 3,815,000	\$ -	\$ (75,000)	\$ 3,740,000	\$ 125,000
Discount on Certificates	(77,869)	-	7,787	(70,082)	-
2011 Energy Conservation Bonds	950,000	-	(65,000)	885,000	70,000
2014 Certificates of Participation					
2014 Certificates	22,835,000	-	(80,000)	22,755,000	80,000
Discount on Certificates	(280,807)	-	12,209	(268,598)	-
Total Long-Term Debt	<u>27,241,324</u>	<u>-</u>	<u>(200,004)</u>	<u>27,041,320</u>	<u>275,000</u>
Net Pension Liability					
SERS	6,339,439	1,353,492	(501,217)	7,191,714	-
STRS	<u>25,213,911</u>	<u>4,982,580</u>	<u>(1,536,015)</u>	<u>28,660,476</u>	<u>-</u>
Total Net Pension Liability	31,553,350	6,336,072	(2,037,232)	35,852,190	-
Capital Leases	131,239	273,000	(69,064)	335,175	97,567
Compensated Absences	<u>2,014,197</u>	<u>621,000</u>	<u>(693,311)</u>	<u>1,941,886</u>	<u>209,193</u>
Total Long-Term Obligations	<u>\$ 60,940,110</u>	<u>\$ 7,230,072</u>	<u>\$ (2,999,611)</u>	<u>\$ 65,170,571</u>	<u>\$ 581,760</u>

Net Pension Liability and Compensated Absences: The District pays obligations related to employee compensation from the fund benefitting from their service. For the District, these are primarily the general fund and the food service fund (a nonmajor governmental fund).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 – LONG-TERM OBLIGATIONS - (Continued)

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

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

The Series 2009B certificates of participation were refunded with the Series 2014 certificates of participation in August 2014.

Future principal and interest requirements to retire the general obligation debt outstanding at June 30, 2016 were as follows:

Fiscal Year Ending June 30	Certificates of Participation - Series 2009A		
	Principal	Interest	Total
2017	\$ 125,000	\$ 171,368	\$ 296,368
2018	180,000	166,368	346,368
2019	245,000	155,988	400,988
2020	315,000	148,575	463,575
2021	390,000	134,400	524,400
2022-2026	2,485,000	317,775	2,802,775
	<u>\$ 3,740,000</u>	<u>\$ 1,094,474</u>	<u>\$ 4,834,474</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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 – 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		
	Principal	Interest	Total
2017	\$ 70,000	\$ 29,665	\$ 99,665
2018	70,000	27,222	97,222
2019	70,000	24,779	94,779
2020	75,000	22,249	97,249
2021	75,000	19,631	94,631
2022-2026	430,000	54,968	484,968
2027	95,000	1,658	96,658
	<u>\$ 885,000</u>	<u>\$ 180,172</u>	<u>\$ 1,065,172</u>

2014 Certificates of Participation (COPs): During fiscal year 2015, the District issued \$23,370,000 in certificates for the purpose of refunding the Series 2009B certificates. Interest rates range between 2% and 4%. The certificates were sold at a discount of \$293,016. Interest payments on the certificates 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 March 1, 2038. The refunding resulted in cash flow savings of \$4,215,077 and an economic gain of \$2,754,907.

Future principal and interest requirements to retire the general obligation debt outstanding at June 30, 2016 were as follows:

Fiscal Year Ending June 30	Certificates of Participation - Series 2014		
	Principal	Interest	Total
2017	\$ 80,000	\$ 850,431	\$ 930,431
2018	85,000	848,831	933,831
2019	85,000	847,131	932,131
2020	85,000	845,431	930,431
2021	90,000	843,731	933,731
2022-2026	1,380,000	4,176,531	5,556,531
2027-2031	6,105,000	3,547,619	9,652,619
2032-2036	9,560,000	2,247,575	11,807,575
2037-2038	5,285,000	321,800	5,606,800
	<u>\$ 22,755,000</u>	<u>\$ 14,529,080</u>	<u>\$ 37,284,080</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 – LONG-TERM OBLIGATIONS - (Continued)

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 are a voted debt limit of \$43,212,267 and an unvoted debt limit of \$480,136. At June 30, 2016, the District’s total debt was within these limits.

NOTE 11 – CAPITALIZED LEASES - LESSEE DISCLOSURE

In the current fiscal year, the District entered into a capitalized lease agreement for the acquisition of three school buses. In a prior fiscal year, the District entered into a capitalized lease agreement for the acquisition of copier equipment. These lease agreements meet 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 agreements have been capitalized in the statement of net position in the amount of \$489,222, which is equal to the present value of the future minimum lease payments as of the dates of inception. Accumulated depreciation as of June 30, 2016 was \$92,483, leaving a current book value of \$395,803. 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, 2016:

Year Ended December 31,	Capital Lease Payments
2017	\$ 106,104
2018	102,132
2019	58,415
2020	58,414
2021	28,825
Total Future Minimum Lease Payments	353,890
Less: Amount Representing Interest	(18,715)
Total	\$ 335,175

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 – 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 2016, the District was a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio School Boards Association as a result of the Worker's Compensation group rating plan as defined in Section 4123.29 of the Ohio Revised Code. The group-rating program allows Districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at 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, 2016

NOTE 13 – DEFINED BENEFIT PENSION PLAN - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The District’s contractually required contribution to SERS was \$557,022 for fiscal year 2016. Of this amount \$92,008 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 13 – DEFINED BENEFIT PENSION PLAN - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 – DEFINED BENEFIT PENSION PLAN - (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$1,610,910 for fiscal year 2016. Of this amount, \$222,391 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$7,191,714	\$28,660,476	\$35,852,190
Proportion of the Net Pension Liability	0.126036%	0.10370300%	
Pension Expense	\$466,749	\$1,289,170	\$1,755,919

**CLOVERLEAF LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 – DEFINED BENEFIT PENSION PLAN - (Continued)

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 115,551	\$ 1,306,482	\$ 1,422,033
Change in proportionate share	29,672	8,199	37,871
District contributions subsequent to the measurement date	<u>557,022</u>	<u>1,610,910</u>	<u>2,167,932</u>
Total Deferred Outflows of Resources	<u>\$ 702,245</u>	<u>\$ 2,925,591</u>	<u>\$ 3,627,836</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 233,520</u>	<u>\$ 2,059,808</u>	<u>\$ 2,293,328</u>
Total Deferred Inflows of Resources	<u>\$ 233,520</u>	<u>\$ 2,059,808</u>	<u>\$ 2,293,328</u>

\$2,167,932 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ended June 30:			
2017	(\$75,549)	(\$462,652)	(\$538,201)
2018	(75,549)	(462,652)	(538,201)
2019	(74,863)	(460,606)	(535,469)
2020	<u>137,664</u>	<u>640,783</u>	<u>778,447</u>
Total	<u>(\$88,297)</u>	<u>(\$745,127)</u>	<u>(\$833,424)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 13 – DEFINED BENEFIT PENSION PLAN - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 – DEFINED BENEFIT PENSION PLAN - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
 Total	 <u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
District's proportionate share of the net pension liability	\$9,972,322	\$7,191,714	\$4,850,212

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District’s net pension liability is expected to be significant.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 – DEFINED BENEFIT PENSION PLAN - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 – DEFINED BENEFIT PENSION PLAN - (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$39,811,563	\$28,660,476	\$19,230,569

Social Security System

Effective July 1, 1991, all employees not otherwise covered by School Employees Retirement System or State Teachers Retirement System have an option to choose Social Security. As of June 30, 2016, four members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Health Care Plan – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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 Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2016, the health care allocation is 0%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2016, 2015, and 2014 were \$66,909, \$97,232, and \$67,895, respectively. 100 percent has been contributed for fiscal years 2015 and 2014. For fiscal year 2016, the entire amount is reported as intergovernmental payable.

The SERS 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 financial reports of SERS' Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at 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, 2016

NOTE 14 – POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 0% of covered payroll was allocated to post-employment health care for the years ended June 30, 2016 and 2015. For the year ended June 30, 2014, 1% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law.

The District's required contributions for health care for the years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$109,606, respectively. The entire amount has been contributed for each fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 – 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 GAAP basis to the budget basis for the general fund is as follows:

Net Change in Fund Balance	
Budget Basis	\$ 3,606,243
<i>Adjustments (net):</i>	
Revenue Accruals	882,172
Expenditure Accruals	170,454
Encumbrances	102,732
Interfund Transactions	(125,435)
Funds Reclassified for Reporting Purposes	1,154,685
GAAP Basis	\$ 5,790,851

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, 2016

NOTE 16 – 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.

C. Foundation Funding - District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction, instead of number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 17 – 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:

Fund	Year-End Encumbrances
General fund	\$ 124,089
Permanent improvement fund	1,236,066
Nonmajor governmental funds	21,730
Total	\$ 1,381,885

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 18 – SET-ASIDES

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

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.

	Capital Acquisition
Set-Aside Reserve Balance as of June 30, 2015	\$ -
Current Year Set-Aside Requirement	420,276
Current Year Offsets	(898,306)
Current Year Qualifying Disbursements	-
Totals	(478,030)
Set-Aside Reserve Balance as of June 30, 2016	\$ -

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, 2016**

NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year ended June 30, 2016, the District has implemented the following:

GASB Statement No. 72 “*Fair Value Measurement and Application*” enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position. The implementation of this statement did not have a significant effect on the financial statements of the District.

GASB Statement No. 76 “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*” improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The implementation of this statement did not have an effect on the financial statements of the District.

GASB Statement No. 79 “*Certain External Investment Pools and Pool Participants*” which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement did not have a significant effect on the financial statements of the District.

REQUIRED SUPPLEMENTARY INFORMATION

**CLOVERLEAF LOCAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST 3 FISCAL YEARS (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.126036%	0.125262%	0.125262%
District's Proportionate Share of the Net Pension Liability	\$ 7,191,714	\$ 6,339,439	\$ 7,448,930
District's Covered-Employee Payroll	\$ 3,802,210	\$ 3,660,519	\$ 3,630,007
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.15%	173.18%	205.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date, which is the prior fiscal year-end.

**CLOVERLEAF LOCAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST 3 FISCAL YEARS (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.103703%	0.103661%	0.103661%
District's Proportionate Share of the Net Pension Liability	\$ 28,660,476	\$ 25,213,911	\$ 30,034,646
District's Covered-Employee Payroll	\$ 10,852,903	\$ 12,028,185	\$ 11,350,554
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	264.08%	209.62%	264.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date, which is the prior fiscal year-end.

**CLOVERLEAF LOCAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually Required Contribution	\$ 557,022	\$ 501,132	\$ 507,348	\$ 502,393	\$ 553,022	\$ 501,727	\$ 689,125	\$ 442,971	\$ 485,393	\$ 418,746
Contributions in relation to the contractually required contribution	\$ 557,022	\$ 501,132	\$ 507,348	\$ 502,393	\$ 553,022	\$ 501,727	\$ 689,125	\$ 442,971	\$ 485,393	\$ 418,746
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,978,730	\$ 3,802,210	\$ 3,660,519	\$ 3,630,007	\$ 4,111,688	\$ 3,991,464	\$ 5,089,549	\$ 4,501,738	\$ 4,942,902	\$ 3,920,843
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**CLOVERLEAF LOCAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually Required Contribution	\$ 1,610,910	\$ 1,519,407	\$ 1,563,664	\$ 1,475,572	\$ 1,626,132	\$ 1,666,451	\$ 1,559,741	\$ 1,736,432	\$ 1,639,207	\$ 1,649,951
Contributions in relation to the contractually required contribution	\$ 1,610,910	\$ 1,519,407	\$ 1,563,664	\$ 1,475,572	\$ 1,626,132	\$ 1,666,451	\$ 1,559,741	\$ 1,736,432	\$ 1,639,207	\$ 1,649,951
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 11,506,502	\$ 10,852,903	\$ 12,028,185	\$ 11,350,554	\$ 12,508,708	\$ 12,818,854	\$ 11,998,008	\$ 13,357,169	\$ 12,609,285	\$ 12,691,931
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

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	\$140,284	\$78,440
		<u>472,735</u>	<u>495,453</u>
Total Special Education -Grants to States		613,019	573,893
Special Education - Preschool Grants	84.173	10,645	10,645
Total Special Education Cluster		<u>623,664</u>	<u>584,538</u>
Title I Grants to Local Educational Agencies	84.010	109,267	95,827
		<u>228,135</u>	<u>236,436</u>
Total Title I Grants to Local Educational Agencies		337,402	332,263
Improving Teacher Quality State Grants	84.367	28,664	11,457
		<u>66,228</u>	<u>68,941</u>
Total Improving Teacher Quality State Grants		<u>94,892</u>	<u>80,398</u>
Total U.S. Department of Education		1,055,958	997,199
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	85,228	85,228
National School Lunch Program	10.555	276,291	276,291
Non-Cash Assistance		<u>60,603</u>	<u>60,603</u>
Total National School Lunch Program		336,894	336,894
Total Child Nutrition Cluster		<u>422,122</u>	<u>422,122</u>
Team Nutrition Grants	10.574		160
		2,400	2,274
		<u>2,547</u>	<u>2,547</u>
Total Team Nutrition Grants		4,947	4,981
Farm to School Grant Program	10.575		<u>564</u>
Total U.S. Department of Agriculture		<u>427,069</u>	<u>427,667</u>
Totals		<u><u>\$1,483,027</u></u>	<u><u>\$1,424,866</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
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) includes the federal award activity of Cloverleaf Local School District, Medina, Ohio (the District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receipts and expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 District assumes it expends federal monies first.

NOTE D – 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2017.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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*.

District's Response to Findings

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

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

March 14, 2017



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 THE UNIFORM GUIDANCE

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) *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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 14, 2017

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR §200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	<ul style="list-style-type: none"> • Child Nutrition Cluster, CFDA 10.553 and 10.555; • Title I Grants to Local Educational Agencies, CFDA 84.010.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2016-001

Material Weakness - Financial Statement Adjustments

Management is responsible for implementing and maintaining an internal control system designed to enable management to determine the accuracy of the District's financial statement transactions. Also, management is responsible for developing and maintaining complete and accurate financial records.

The following financial statement errors were identified:

- Accounts payable and corresponding expenses were understated by \$185,035 in the Permanent Improvement Fund and Governmental Activities opinion unit. The error was the result of the improper exclusion of an expense paid in fiscal year 2017 for services performed in fiscal year 2016. This error also resulted in an understatement of the non-depreciable capital assets for construction in the governmental activities opinion unit. The financial statements were adjusted by management to correct these errors.
- Property taxes receivable and deferred inflows of resources property and other local taxes were overstated in the General Fund, Permanent Improvement Fund, and Governmental Activities opinion unit by \$1,729,151, \$119,376, and \$1,848,527, respectively. The financial statements were adjusted by management to correct these errors.
- Sales tax receivable and deferred inflows of resources unavailable revenue were understated in the Capital Grants Fund by \$557,465. Sales tax receivable and shared sales tax revenue in the Governmental Activities opinion unit were also understated by \$557,465. The financial statements were adjusted by management to correct these errors.
- Property taxes in the General Fund and Permanent Improvement Fund were overstated by \$891,940 and \$61,559, respectively; intergovernmental revenue in the General Fund and Permanent Improvement Fund were understated by \$897,475 and \$61,909, respectively; and support services fiscal expenditures in the General Fund and Permanent Improvement Fund were understated by \$5,535 and \$350, respectively. These errors were due to a homestead and rollback receipt being improperly posted as property taxes and net of auditor/treasurer fees and also an intergovernmental revenue receipt being improperly posted as taxes. The error related to the homestead and rollback receipt was noted by the District however it was subsequent to year-end. These errors were reported to management as unadjusted items.
- Advances to other funds in the General Fund were understated by \$17,731 and transfers out were overstated by an equal amount. Advances from other funds in the Remaining Fund Information opinion unit were understated by \$17,731 and transfers in were overstated by an equal amount. These errors were due to a reclassification of long term advance to a transfer in excess of the Board approved amount. These errors were reported to management as unadjusted items.
- Net pension liability, deferred outflows of resources pension, and pension expense were overstated by \$276,371, \$20,724, and \$53,587, respectively, and deferred inflows of resources pension were understated by \$202,060. These errors were mainly due to the wrong allocation percentage used in the calculation. These errors were reported to management as unadjusted items.

FINDING NUMBER 2016-001 (Continued)

Material Weakness - Financial Statement Adjustments (Continued)

Failure to properly record transactions in the accounting records and of management to review the draft journal entries and financial statements hinders management's ability to monitor financial performance and may result in financial statement errors.

The District should exercise due care when posting transactions to help ensure the transactions are correct and posted to the proper funds and accounts. Management should also review the draft journal entries and financial statements to help ensure they are supported by sufficient documentation, reconciled to the trial balances, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

Officials' Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Financial Statement Adjustments: The corrections were made to the financial statements. Management will review the GAAP conversion in more detail to ensure the accuracy of future statements.	Completed	James Hudson

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**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
2 CFR 200.511(b)
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness – Financial Statement Adjustments: Financial statement errors were identified and reported as unadjusted differences. In addition, original appropriations were overstated due to an incorrect report being utilized to compile the statement.	Not Corrected	Similar comment repeated as Finding 2016-001.
2015-002	Significant Deficiency – Capital Assets: The capital assets system included items assigned more than one asset tag number during inventory valuation.	Finding no longer valid.	
2015-003	Significant Deficiency – Noncompliance Finding – Eligibility Determinations Child Nutrition Cluster Federal Award: The District’s software used to process applications erroneously approved students for free/reduced lunches due to errors in income calculations.	Finding no longer valid.	

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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 28, 2017**