

Cloverleaf Local School District

General Purpose Financial Statements
For Fiscal Year Ended: June 30, 2002



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Cloverleaf Local School District, Medina County, prepared by Rea & Associates, Inc., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 22, 2003

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Cloverleaf Local School District
General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 25, 2002

The Board of Education
Cloverleaf Local School District
Lodi, Ohio 44254

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of Cloverleaf Local School District as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Cloverleaf Local School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 25, 2002, on our consideration of Cloverleaf Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Rea & Associates, Inc.

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**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,592,763	\$ 190,232	\$ -	\$ 680,511
Receivables:				
Taxes	9,619,591	-	-	592,381
Accounts	18,855	1,619	-	-
Intergovernmental	15,605	34,033	-	-
Interfund	500	-	-	-
Inventory held for resale	-	-	-	-
Materials and supplies inventory	176,728	-	-	-
Equity in pooled cash and cash equivalents (restricted)	-	-	122	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
Other debits:				
Amount to be provided from general government resources	-	-	-	-
Total assets and other debits	\$ 11,424,042	\$ 225,884	\$ 122	\$ 1,272,892
LIABILITIES, FUND EQUITY, AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 33,177	\$ 255	\$ -	\$ 3,753
Accrued wages and benefits	2,434,374	77,390	-	-
Compensated absences payable	187,881	-	-	-
Interfund payable	-	-	-	-
Intergovernmental payable	537,643	719	-	-
Deferred revenue	9,021,298	34,997	-	552,826
Due to students	-	-	-	-
Matured interest payable	-	-	122	-
Installment plan payable	-	-	-	-
Capital leases payable	-	-	-	-
Total liabilities	12,214,373	113,361	122	556,579
Fund equity and other credits:				
Investment in general fixed assets	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balance:				
Reserved for encumbrances	386,538	7,323	-	589,527
Reserved for inventory	176,728	-	-	-
Reserved for property taxes	602,573	-	-	39,555
Unreserved:				
Unreserved, undesignated	(1,956,170)	105,200	-	87,231
Total fund equity and other credits	(790,331)	112,523	-	716,313
Total liabilities, fund equity, and other credits	\$ 11,424,042	\$ 225,884	\$ 122	\$ 1,272,892

See accompanying notes to the general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 136,486	\$ 61,040	\$ -	\$ -	\$ 2,661,032
-	-	-	-	10,211,972
6,095	-	-	-	26,569
31,470	-	-	-	81,108
-	-	-	-	500
9,413	-	-	-	9,413
17,643	-	-	-	194,371
-	-	-	-	122
87,395	-	17,859,503	-	17,946,898
-	-	-	2,003,465	2,003,465
<u>\$ 288,502</u>	<u>\$ 61,040</u>	<u>\$ 17,859,503</u>	<u>\$ 2,003,465</u>	<u>\$ 33,135,450</u>
\$ 255	\$ 5,109	\$ -	\$ -	\$ 42,549
49,621	-	-	-	2,561,385
20,978	-	-	1,551,687	1,760,546
500	-	-	-	500
42,361	-	-	184,788	765,511
10,513	-	-	-	9,619,634
-	51,640	-	-	51,640
-	-	-	-	122
-	-	-	94,910	94,910
-	-	-	172,080	172,080
<u>124,228</u>	<u>56,749</u>	<u>-</u>	<u>2,003,465</u>	<u>15,068,877</u>
-	-	17,859,503	-	17,859,503
164,274	-	-	-	164,274
-	-	-	-	983,388
-	-	-	-	176,728
-	-	-	-	642,128
-	4,291	-	-	(1,759,448)
<u>164,274</u>	<u>4,291</u>	<u>17,859,503</u>	<u>-</u>	<u>18,066,573</u>
<u>\$ 288,502</u>	<u>\$ 61,040</u>	<u>\$ 17,859,503</u>	<u>\$ 2,003,465</u>	<u>\$ 33,135,450</u>

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:				
Taxes	\$ 9,727,469	\$ 41,616	\$ -	\$ 607,697
Intergovernmental	12,269,540	788,324	-	235,792
Interest	79,075	-	-	-
Tuition and fees	193,655	-	-	-
Extracurricular activities	-	156,108	-	-
Gifts and donations	20	86,975	-	-
Rent	1,955	-	-	-
Miscellaneous	77,034	46,841	-	-
Total revenues	<u>22,348,748</u>	<u>1,119,864</u>	<u>-</u>	<u>843,489</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,583,578	185,533	-	278
Special	1,349,310	426,421	-	-
Vocational	162,599	-	-	-
Other	392,653	4,142	-	-
Support services:				
Pupils	1,108,480	119,938	-	-
Instructional staff	888,169	194,209	-	-
Board of education	39,732	-	-	-
Administration	1,642,202	9,287	-	-
Fiscal	463,890	-	-	9,795
Business	257,178	3,581	-	-
Operation and maintenance of plant	2,269,644	-	-	312,504
Pupil transportation	1,643,194	-	-	53,778
Central	44,973	49,872	-	-
Operation of non-instructional services	75,486	3,000	-	-
Extracurricular activities	399,645	326,250	-	-
Capital outlay	1,660	-	-	313,567
Debt service:				
Principal retirement	117,416	-	-	-
Interest and fiscal charges	20,790	-	-	-
Total expenditures	<u>22,460,599</u>	<u>1,322,233</u>	<u>-</u>	<u>689,922</u>
Excess of revenues over (under) expenditures	<u>(111,851)</u>	<u>(202,369)</u>	<u>-</u>	<u>153,567</u>
Other financing sources (uses):				
Proceeds from sale of fixed assets	4,026	-	-	-
Operating transfers in	424,633	61,800	-	150,910
Operating transfers out	(699,028)	-	-	-
Total other financing sources (uses)	<u>(270,369)</u>	<u>61,800</u>	<u>-</u>	<u>150,910</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(382,220)	(140,569)	-	304,477
Fund balance (deficit) at beginning of year	(423,347)	253,092	-	411,836
Increase in reserve for inventory	15,236	-	-	-
Fund balance (deficit) at end of year	<u>\$ (790,331)</u>	<u>\$ 112,523</u>	<u>\$ -</u>	<u>\$ 716,313</u>

See accompanying notes to the general purpose financial statements.

<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Expendable Trust</u>	
\$ -	\$ 10,376,782
-	13,293,656
-	79,075
-	193,655
-	156,108
10,000	96,995
-	1,955
715	124,590
<u>10,715</u>	<u>24,322,816</u>
-	11,769,389
-	1,775,731
-	162,599
-	396,795
-	1,228,418
-	1,082,378
-	39,732
-	1,651,489
-	473,685
-	260,759
-	2,582,148
-	1,696,972
-	94,845
12,358	90,844
188	726,083
-	315,227
-	117,416
-	20,790
<u>12,546</u>	<u>24,485,300</u>
<u>(1,831)</u>	<u>(162,484)</u>
-	4,026
-	637,343
-	(699,028)
-	(57,659)
(1,831)	(220,143)
6,122	247,703
-	15,236
<u>\$ 4,291</u>	<u>\$ 42,796</u>

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 9,637,040	\$ 9,574,550	\$ (62,490)
Intergovernmental	12,418,216	12,270,782	(147,434)
Interest	72,600	89,431	16,831
Tuition and fees	146,105	178,050	31,945
Extracurricular activities	-	-	-
Gifts and donations	-	20	20
Rent	1,830	1,955	125
Miscellaneous	50,718	53,965	3,247
Total revenues	<u>22,326,509</u>	<u>22,168,753</u>	<u>(157,756)</u>
Expenditures:			
Current:			
Instruction:			
Regular	11,855,424	11,552,502	302,922
Special	1,497,683	1,334,808	162,875
Vocational	167,717	174,993	(7,276)
Other	322,970	428,796	(105,826)
Support services:			
Pupils	1,159,818	1,094,320	65,498
Instructional staff	969,150	891,274	77,876
Board of education	42,209	39,297	2,912
Administration	1,737,051	1,623,440	113,611
Fiscal	486,522	463,292	23,230
Business	400,737	369,222	31,515
Operation and maintenance of plant	2,704,649	2,415,131	289,518
Pupil transportation	1,837,782	1,758,753	79,029
Central	45,635	45,493	142
Operation of non-instructional services	85,556	75,695	9,861
Extracurricular activities	430,594	399,407	31,187
Capital outlay	40,000	1,660	38,340
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>23,783,497</u>	<u>22,668,083</u>	<u>1,115,414</u>
Excess of revenues over (under) expenditures	<u>(1,456,988)</u>	<u>(499,330)</u>	<u>957,658</u>
Other financing sources (uses):			
Proceeds from sale of fixed assets	3,481	4,026	545
Refund of prior year expenditures	8,494	8,494	-
Refund of prior year receipts	(1,530)	(1,530)	-
Advances in	-	205	205
Advances out	-	(500)	(500)
Operating transfers in	424,633	424,633	-
Operating transfers out	(668,654)	(699,028)	(30,374)
Total other financing sources (uses)	<u>(233,576)</u>	<u>(263,700)</u>	<u>(30,124)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,690,564)	(763,030)	927,534
Fund balance at beginning of year	1,255,341	1,255,341	-
Prior year encumbrances appropriated	661,232	661,232	-
Fund balance at end of year	<u>\$ 226,009</u>	<u>\$ 1,153,543</u>	<u>\$ 927,534</u>

See accompanying notes to the general purpose financial statements.

Governmental Fund Types

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 60,000	\$ 41,616	\$ (18,384)	\$ -	\$ -	\$ -
836,289	827,286	(9,003)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
161,444	155,019	(6,425)	-	-	-
77,471	86,975	9,504	-	-	-
-	-	-	-	-	-
45,100	46,942	1,842	-	-	-
<u>1,180,304</u>	<u>1,157,838</u>	<u>(22,466)</u>	<u>-</u>	<u>-</u>	<u>-</u>
230,232	194,785	35,447	-	-	-
449,996	422,333	27,663	-	-	-
-	-	-	-	-	-
4,142	4,142	-	-	-	-
146,587	120,102	26,485	-	-	-
232,061	206,923	25,138	-	-	-
-	-	-	-	-	-
16,567	9,534	7,033	-	-	-
-	-	-	-	-	-
3,581	3,581	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
49,934	49,934	-	-	-	-
3,000	3,000	-	-	-	-
409,680	329,875	79,805	-	-	-
-	-	-	-	-	-
-	-	-	25,000	25,000	-
-	-	-	122	-	122
<u>1,545,780</u>	<u>1,344,209</u>	<u>201,571</u>	<u>25,122</u>	<u>25,000</u>	<u>122</u>
<u>(365,476)</u>	<u>(186,371)</u>	<u>179,105</u>	<u>(25,122)</u>	<u>(25,000)</u>	<u>122</u>
-	-	-	-	-	-
-	1,104	1,104	-	-	-
(116)	(128)	(12)	-	-	-
-	-	-	-	-	-
(205)	(205)	-	-	-	-
59,660	61,800	2,140	-	-	-
-	-	-	-	-	-
<u>59,339</u>	<u>62,571</u>	<u>3,232</u>	<u>-</u>	<u>-</u>	<u>-</u>
(306,137)	(123,800)	182,337	(25,122)	(25,000)	122
228,903	228,903	-	25,122	25,122	-
77,550	77,550	-	-	-	-
<u>\$ 316</u>	<u>\$ 182,653</u>	<u>\$ 182,337</u>	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ 122</u>

(Continued)

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types		
	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 598,175	\$ 598,175	\$ -
Intergovernmental	181,485	235,877	54,392
Interest	-	-	-
Tuition and fees	-	-	-
Extracurricular activities	-	-	-
Gifts and donations	-	-	-
Rent	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>779,660</u>	<u>834,052</u>	<u>54,392</u>
Expenditures:			
Current:			
Instruction:			
Regular	289	289	-
Special	-	-	-
Vocational	-	-	-
Other	-	-	-
Support services:			
Pupils	-	-	-
Instructional staff	-	-	-
Board of education	-	-	-
Administration	-	-	-
Fiscal	9,800	9,795	5
Business	-	-	-
Operation and maintenance of plant	880,840	861,673	19,167
Pupil transportation	260,276	260,276	-
Central	-	-	-
Operation of non-instructional services	-	-	-
Extracurricular activities	-	-	-
Capital outlay	327,997	314,169	13,828
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>1,479,202</u>	<u>1,446,202</u>	<u>33,000</u>
Excess of revenues over (under) expenditures	<u>(699,542)</u>	<u>(612,150)</u>	<u>87,392</u>
Other financing sources:			
Proceeds from sale of fixed assets	-	-	-
Refund of prior year expenditures	-	-	-
Refund of prior year receipts	-	-	-
Advances in	-	-	-
Advances out	-	-	-
Operating transfers in	150,910	150,910	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>150,910</u>	<u>150,910</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(548,632)	(461,240)	87,392
Fund balance at beginning of year	39,478	39,478	-
Prior year encumbrances appropriated	508,993	508,993	-
Fund balance at end of year	<u><u>\$ (161)</u></u>	<u><u>\$ 87,231</u></u>	<u><u>\$ 87,392</u></u>

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 10,295,215	\$ 10,214,341	\$ (80,874)
-	-	-	13,435,990	13,333,945	(102,045)
-	-	-	72,600	89,431	16,831
-	-	-	146,105	178,050	31,945
100	-	(100)	161,544	155,019	(6,525)
10,550	10,000	(550)	88,021	96,995	8,974
-	-	-	1,830	1,955	125
750	715	(35)	96,568	101,622	5,054
11,400	10,715	(685)	24,297,873	24,171,358	(126,515)
-	-	-	12,085,945	11,747,576	338,369
-	-	-	1,947,679	1,757,141	190,538
-	-	-	167,717	174,993	(7,276)
-	-	-	327,112	432,938	(105,826)
3,012	-	3,012	1,309,417	1,214,422	94,995
-	-	-	1,201,211	1,098,197	103,014
-	-	-	42,209	39,297	2,912
-	-	-	1,753,618	1,632,974	120,644
-	-	-	496,322	473,087	23,235
-	-	-	404,318	372,803	31,515
-	-	-	3,585,489	3,276,804	308,685
400	-	400	2,098,458	2,019,029	79,429
-	-	-	95,569	95,427	142
13,470	12,426	1,044	102,026	91,121	10,905
188	188	-	840,462	729,470	110,992
-	-	-	367,997	315,829	52,168
-	-	-	25,000	25,000	-
-	-	-	122	-	122
17,070	12,614	4,456	26,850,671	25,496,108	1,354,563
(5,670)	(1,899)	3,771	(2,552,798)	(1,324,750)	1,228,048
-	-	-	3,481	4,026	545
-	-	-	8,494	9,598	1,104
-	-	-	(1,646)	(1,658)	(12)
-	-	-	-	205	205
-	-	-	(205)	(705)	(500)
-	-	-	635,203	637,343	2,140
-	-	-	(668,654)	(699,028)	(30,374)
-	-	-	(23,327)	(50,219)	(26,892)
(5,670)	(1,899)	3,771	(2,576,125)	(1,374,969)	1,201,156
6,121	6,121	-	1,554,965	1,554,965	-
70	70	-	1,247,845	1,247,845	-
\$ 521	\$ 4,292	\$ 3,771	\$ 226,685	\$ 1,427,841	\$ 1,201,156

CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Enterprise
Operating revenues:	
Sales	\$ 614,831
Charges for services	99,273
Other operating revenues	287,619
Total operating revenue	1,001,723
Operating expenses:	
Salaries	529,524
Fringe benefits	151,419
Purchased services	179,554
Materials and supplies	53,889
Cost of sales	384,392
Depreciation	4,054
Other operating expenses	5,893
Total operating expenses	1,308,725
Operating loss	(307,002)
Non-operating revenues (expenses):	
Federal donated commodities	69,663
Federal and state subsidies	228,087
Contributions and donations	21,481
Interest	211
Loss on disposal of fixed assets	(689)
Total non-operating revenues (expenses)	318,753
Income before operating transfers	11,751
Operating transfers in	61,685
Net income	73,436
Retained earnings at beginning of year	90,838
Retained earnings at end of year	\$ 164,274

See accompanying notes to the general purpose financial statements.

**CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Enterprise
Cash flows from operating activities:	
Cash received from customers	\$ 714,104
Cash received from other operating sources	281,524
Cash payments to suppliers for goods and services	(567,786)
Cash payments to employees for services	(543,188)
Cash payments for employee benefits	(125,443)
Cash payments for other operating expenses	(1,726)
Net cash used for operating activities	(242,515)
Cash flows from noncapital financing activities:	
Operating grants	225,840
Transfers in	61,685
Short-term loans from other funds	500
Contributions and donations	21,481
Net cash provided by noncapital financing activities	309,506
Cash flows from capital financing activities:	
Acquisition of capital assets	(10,188)
Net cash used for capital financing activities	(10,188)
Cash flows from investing activities:	
Interest on investments	211
Net cash provided by investing activities	211
Net increase in cash and cash equivalents	57,014
Cash and cash equivalents at beginning of year	79,472
Cash and cash equivalents at end of year	\$ 136,486
<u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	\$ (307,002)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	4,054
Federal donated commodities	69,663
Change in assets and liabilities:	
(Increase) decrease in assets:	
Inventory	(181)
Accounts receivable	(6,095)
Increase (decrease) in liabilities:	
Accounts payable	(15,195)
Accrued wages	373
Compensated absences payable	463
Intergovernmental payable	11,476
Deferred revenue	(71)
Total adjustments	64,487
Net cash used for operating activities	\$ (242,515)

See accompanying notes to the general purpose financial statements.

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1 - NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

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 school 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. Average daily membership on, or as of, October 1, 2001 was 3,624. The District employs 238 certificated and 177 non-certificated employees.

The reporting entity is required to be composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or 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. The District has no component units.

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.

Lake Erie Educational Computer Association - The District participates in the Lake Erie Educational Computer Association (LEECA). LEECA provides data services needed by the participating school districts. This is a jointly governed organization. The District's participation is disclosed in Note 18 to the financial statements.

Ohio Schools Council of Governments - The Ohio Schools Council promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The District's participation is disclosed in Note 18 to the financial statements.

Medina County Joint Vocational School District - The Medina County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for vocational and special education needs of the students. The Board of the Medina County Joint Vocational School District is comprised of representatives from each participating school district and is responsible for approving its own budgets, appointing personnel, and accounting and financing-related activities. The District's students may attend the Medina County Joint Vocational School District.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The District has the following fund types and account groups:

Governmental Fund Types:

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be approximately sixty days. Property taxes, grants and interest are susceptible to accrual. The amount of property taxes available for advance at June 30, 2002 is considered to be available to finance current period obligations and is therefore subject to accrual. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations and accordingly, property taxes receivable is reflected as deferred revenue until available.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year. Compensated absences and contractually required pension contributions are reported as a fund liability when payment will require the use of current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

General Fund - used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, which are legally restricted to expenditure for specified purposes.

Debt Service Fund - used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt other than those payable from proprietary funds.

Capital Projects Funds - used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds.

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Type:

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the Board of Education has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations. The District's proprietary funds include the following fund type:

Enterprise Funds - used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types:

Fiduciary fund types account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Fund - accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. This fund accounts for assets where both the principal and interest may be spent.

Agency Fund - custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Account Groups:

General Fixed Assets Account Group - used to account for fixed assets acquired principally for general purposes other than those accounted for in proprietary funds.

General Long-Term Debt Account Group - used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in proprietary funds.

B. Deposits and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "pooled cash and equivalents" on the combined balance sheet. During the year, investments were limited to overnight repurchase agreements. Nonparticipating investment contracts such as overnight repurchase agreements are reported at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the year amounted to \$ 79,075, which includes \$ 24,636 assigned from other District funds. For purposes of the combined statement of cash flows, and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents.

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Restricted Cash

Restricted cash in the debt service fund represents outstanding coupons that have not yet been redeemed. During fiscal year 1993, the District received court approval to transfer the balance of its bond and coupon account to its general checking account. A corresponding "matured coupon payable" has been recorded on the combined balance sheet.

D. Receivables

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

E. Inventories and Supplies

Inventory items of governmental funds are stated at cost while inventory items of proprietary funds are stated at the lower of cost or market. The cost of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. For all funds, cost is determined on a first-in, first-out basis.

Reported inventories in the governmental fund types are equally offset by a fund balance reserve, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

F. Fixed Assets and Depreciation

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at their estimated fair market value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District does not possess any infrastructure.

Fixed assets, which are used in proprietary fund type activities, are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on estimated useful lives of assets. Estimated useful lives of equipment and furniture are 8 to 20 years.

G. Long-term Liabilities

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the general long-term debt account group.

H. Revenues – Exchange and Non-Exchange Transactions

Exchange transactions are those in which each party to a transaction gives and receives essentially something of equal value. Proprietary funds, where the full accrual basis of accounting is used, record revenue when the exchange takes place. Governmental funds, where the modified accrual basis of accounting is used, record revenue in the year in which the resources are both measurable and available.

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. Property taxes available as an advance at June 30 are recognized as revenue. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied and the revenues are both measurable and available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

I. Unpaid Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, severance, and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on specific events that are outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental fund types, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in the general long-term debt account group.

In the proprietary funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

The District uses the vesting method to estimate the amount of accumulated compensated absences that will be paid as a termination benefit.

J. Short-term Interfund Assets/Liabilities

Transactions between funds that are representative of short-term lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivable/payable."

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transfers are reported as operating transfers.

L. Fund Equity

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditures. Unreserved retained earnings for proprietary funds represent the net assets available for future operations.

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget:

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types" do not include July 1, 2002 unencumbered fund balances. However, those fund balances are available for appropriations.

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Appropriations:

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among funds may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Fund" represent the final appropriation amounts including all amendments and modifications.

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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at any level of control. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balances for subsequent-year expenditures.

Budgetary Reporting:

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

Accordingly, the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP basis) are that:

- 1.) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2.) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).
- 3.) Advances are reported on the operating statement (budget basis) rather than as balance sheet transactions.

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

CLOVERLEAF LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Excess of Revenues and Other Financing Sources Over
 (Under) Expenditures and Other Financing Uses

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ (382,220)	\$ (140,569)	\$ -	\$ 304,477	\$ (1,831)
Revenue accruals	(171,296)	39,078	-	(9,437)	-
Expenditure accruals	227,430	(14,730)	(25,000)	(163,000)	(68)
Encumbrances (Budget Basis) outstanding at year end	<u>(436,944)</u>	<u>(7,579)</u>	<u>-</u>	<u>(593,280)</u>	<u>-</u>
Budget Basis	<u>\$ (763,030)</u>	<u>\$ (123,800)</u>	<u>\$ (25,000)</u>	<u>\$ (461,240)</u>	<u>\$ (1,899)</u>

B. Fund Equity Deficits

Apparent in the general purpose financial statements is a deficit fund equity balance of \$790,331 in the general fund. Not apparent in the general purpose financial statements are deficit fund equity balances of \$29,036 in the Title I Special Revenue Fund. These deficit fund equity balances at year-end resulted from reflecting expenditures in accordance with the modified accrual basis, which is substantially larger than the amounts recognized on the budget basis. The District, in accordance with its budget basis, will appropriate such expenditures and expenses from resources of the subsequent year.

NOTE 4 - DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool used by various funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "pooled cash and equivalents."

A. Legal Requirements

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 District has identified as not required for use within the current two 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 may be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts. Interim monies may be invested in the following securities:

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation of debt of the District, and must be purchased with the expectation that it will be held until maturity.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. Cash on Hand

At year end, the District had \$50 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "pooled cash and equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

CLOVERLEAF LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

C. Deposits

At year-end, the carrying amount of the District's deposits was \$1,671,104 and the bank balance was \$1,875,997. Of this balance \$200,000 was covered by federal depository insurance and \$1,675,997 by collateral held by third party trustees in accordance with the Ohio Revised Code, in collateral pools securing all public funds on deposit with no specifications for whom the funds are held, which is considered uncollateralized and uninsured as defined by the GASB Statement No. 3. Although all State statutory requirements for the deposits of money had been followed, non-compliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

D. Investments

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the District's investments be classified in categories of credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

<u>Categorized Investments</u>	<u>Category 3</u>	<u>Fair Value</u>
Repurchase Agreements	\$ 990,000	\$ 990,000

NOTE 5 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts, interfund and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The general, special revenue and enterprise fund's intergovernmental receivable at year end consisted of \$15,605, \$34,033 and \$31,470, respectively in tuition from other districts, and federal and state reimbursements.

CLOVERLEAF LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

NOTE 6 - FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. General Fixed Assets Account Group

The changes in general fixed assets during the year consisted of:

	Balance <u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30</u>
Land and improvements	\$ 1,312,488	\$ 10,000	\$ -	\$ 1,322,488
Buildings and improvements	8,778,276	250,435	-	9,028,711
Furniture and equipment	3,780,090	194,142	(66,000)	3,908,232
Vehicles	1,379,011	187,157	(59,074)	1,507,094
Books	1,825,556	267,422	-	2,092,978
Total	<u>\$ 17,075,421</u>	<u>\$ 909,156</u>	<u>\$ (125,074)</u>	<u>\$ 17,859,503</u>

B. Proprietary Fund Type Fixed Assets

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

<u>Classification</u>	<u>Balance</u>
Equipment	\$ 274,122
Less: accumulated depreciation	<u>(186,727)</u>
Net Fixed Assets	<u>\$ 87,395</u>

NOTE 7 - INSTALLMENT PLAN PAYABLE

The installment plan payable outstanding at year-end consisted of:

	<u>Outstanding June 30, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2002</u>
1997 Waterline Tie-in 6.12% through 2007	<u>\$ 111,619</u>	<u>\$ -</u>	<u>\$ (16,709)</u>	<u>\$ 94,910</u>

The general fund is being used to repay the installment plan. Debt service requirements, including principal and interest, to retire the installment plan are as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 17,761	\$ 5,316	\$ 23,077
2004	18,879	4,198	23,077
2005	20,067	3,009	23,076
2006	21,330	1,746	23,076
2007	16,873	434	17,307
	<u>\$ 94,910</u>	<u>\$ 14,703</u>	<u>\$ 109,613</u>

CLOVERLEAF LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

NOTE 8 - GENERAL LONG-TERM DEBT

Changes in long-term debt are as follows:

	Outstanding June 30, 2001	Additions	Reductions	Outstanding June 30, 2002
Intergovernmental payable	\$ 205,295	\$ 184,788	\$ (205,295)	\$ 184,788
Installment plan payable	111,619	-	(16,709)	94,910
Capital leases	272,787	-	(100,707)	172,080
Compensated absences	1,725,468	125,639	(299,420)	1,551,687
	<u>\$ 2,315,169</u>	<u>\$ 310,427</u>	<u>\$ (622,131)</u>	<u>\$ 2,003,465</u>

Compensated absences and intergovernmental payable are being paid from the fund which the employee is paid. The general fund is being used to repay the capital leases.

NOTE 9 - CAPITAL LEASES

The District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the general fixed asset account group and the general long-term debt account group, respectively. The assets under capital leases totaled \$513,322 at June 30, 2002. The leases are in effect through fiscal year 2006.

The following is a schedule of future minimum lease payments under capital leases together with the net present value of the minimum lease payments as of June 30, 2002.

	Year ending June 30,	Amount
	2003	\$ 96,834
	2004	64,081
	2005	21,720
	2006	1,810
Total minimum lease payments		184,445
Less amount representing interest		(12,365)
Net present value of minimum lease payments		<u>\$ 172,080</u>

NOTE 10 - OPERATING LEASES

The District is obligated under a lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the District's account groups. Total lease expenditures for the year ended June 30, 2002 were \$49,984. Future minimum rental payments required under this lease as of June 30, 2002 are as follows:

CLOVERLEAF LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

NOTE 10 - OPERATING LEASES (Continued)

Year ending June 30,	Amount
2003	\$ 49,984
2004	49,984
2005	49,984
2006	49,984
2007	49,984
2008	45,784
	\$ 295,704

NOTE 11 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Taxes collected on real property, other than public utility, in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the Medina County Auditor at 35% of the appraised market value. All property is required to be revalued every six years, the last update was completed for 1998. Real property taxes are payable annually or semi-annually. The first payment is due on or about January 20, with the remainder payable on or about June 20.

Taxes collected from tangible personal property, other than public utility, in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business, except for public utilities, is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88% of its true value. Public utility property taxes are payable on the same dates as real personal property taxes described earlier.

The Medina County Treasurer collects property taxes on behalf of all taxing districts in the county. The County Auditor periodically remits to the District its portion of the taxes collected.

The tax applied to real property collected in 2002 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$ 55.80 per \$ 1,000 of valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$ 27.80 per \$ 1,000 of assessed valuation for real property classified as residential/agricultural and \$ 34.69 per \$ 1,000 of assessed valuation for all other real property. The tax rate applied to tangible personal property for the current year ended June 30, 2002, was \$ 55.80 per \$ 1,000 of valuation. Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivables therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

CLOVERLEAF LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

NOTE 11 - PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2002 is recognized as revenue. The amount available to the District as an advance at June 30, 2002 was \$642,128 and is reflected as a reservation of fund balance for future appropriations.

The property valuation consisted of:

<u>Property Category</u>	<u>2001 Assessed Value</u>	<u>2000 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 324,394,100	\$ 274,428,270
Commercial and Industrial	56,184,790	43,973,580
Public Utilities	323,930	319,120
Mineral	391,400	419,590
<u>Tangible Personal Property</u>		
General	20,785,021	21,968,505
Public Utilities	13,427,360	15,272,740
Total	<u>\$ 415,506,601</u>	<u>\$ 356,381,805</u>

NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at June 30, 2002 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Uniform School Supplies enterprise	\$ 500

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with Nationwide Insurance. The deductible is \$ 1,000 per incident on property, \$100 per incident on computer equipment and \$ 250 per incident on other equipment.

All vehicles are also insured with Nationwide Insurance Company and have a \$ 250 deductible. All board members, administrators and employees are covered under a school district liability policy with Nationwide. The limits of this coverage are \$ 1,000,000 per occurrence and \$ 3,000,000 per aggregate and an additional \$ 4,000,000 umbrella policy.

Settled claims have not exceeded the commercial coverage in any of the past three years. There has not been a significant reduction of coverage from the prior year.

All the Board members, the Superintendent and the Assistant Superintendent have a \$ 20,000 position bond with Nationwide Insurance. The Treasurer is covered by a surety bond in the amount of \$ 20,000. This bond is provided by the Ohio Farmers Insurance Company.

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 13 - RISK MANAGEMENT (Continued)

The District participates in the Ohio School Board Association Workers' Compensation Group Rating System (GRP), an insurance purchase 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 Ohio School Boards Association (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.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of GatesMcDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District has contracted with Stark County Schools Insurance Consortium (SCSIC) to provide medical/surgical, dental, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The SCSIC is a shared risk pool comprised of fourteen school districts that provide public education within Stark County. The districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$ 200,000 per participant and an aggregate stop-loss provision of \$ 46,988,770.

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 SCSIC Board of Directors has authority to return monies to an exiting District subsequent to the settlement of all claims and expenses.

The health insurance is through Mutual Health Services Company. The life insurance is term life with a limit of \$ 40,000 for classified employees and \$ 40,000 for certified employees through UNUM Life Insurance Company of America.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained from the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute an actuarially determined rate of 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$547,388, \$430,933 and \$569,553, respectively; 45% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$300,704 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term debt account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute an actuarially determined rate of 14% of annual covered payroll. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,670,404, \$1,078,851, and \$1,644,836 respectively; 83% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$281,620 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A State Teachers Retirement System

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 4.50% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the District this amount equaled \$536,916 during the 2002 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.256 billion at June 30, 2001, (latest information available). For the year ended June 30, 2001, the net health care costs paid by the STRS were \$300,772,000 and eligible benefit recipients totaled 102,132.

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 15 - POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 9.80% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the District, the amount of employer contributions used to fund health care equaled \$437,192, which includes a surcharge of \$54,020 during the 2002 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001, (latest information available) were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the SERS's net assets available for payment of health care benefits was \$315.7 million, at cost. The number of participants receiving health care benefits was approximately 50,000.

NOTE 16 - CONTINGENCIES

The District is a defendant in certain lawsuits, the outcomes of which cannot be determined. It is the opinion of the District's management that any judgment against the District would not have a material adverse effect on the District's financial position.

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by 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 at June 30, 2002.

CLOVERLEAF LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

NOTE 17 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operation of school food service, uniform school supplies, and community education. Segment information related to these follows:

<u>Description</u>	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Community Education</u>	<u>Total</u>
Operating revenues	\$ 620,820	\$ 5,534	\$ 375,369	\$ 1,001,723
Depreciation expense	1,975	-	2,079	4,054
Operating income (loss)	(324,549)	(3,144)	20,691	(307,002)
Operating grants	221,850	-	6,237	228,087
Donated commodities	69,663	-	-	69,663
Advances in	-	500	-	500
Net income (loss)	16,486	(3,144)	60,094	73,436
Fixed asset additions	1,669	-	8,519	10,188
Net working capital	(1,118)	7,209	91,766	97,857
Total assets	142,796	7,709	137,997	288,502
Compensated absences payable	17,423	-	3,555	20,978
Total equity	34,834	7,209	122,231	164,274
Encumbrances outstanding (budget basis) at June 30, 2002	\$ 16,048	\$ -	\$ 7,021	\$ 23,069

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty-one school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center for Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio, 44035. During the year ended June 30, 2002, the District paid approximately \$ 36,121 to LEECA for basic service charges.

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Ohio Schools Council Of Governments

The Ohio Schools Council is a jointly governed organization among fourteen districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service and insurance. Each member provided operating resources to Ohio Schools Council on a per pupil or actual usage charge except for insurance. The Ohio Schools Council assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. Ohio Schools Council is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Ohio Schools Council located at 6376 Mill Road, Broadview Heights, Ohio, 44147. During the year ended June 30, 2002, the District paid approximately \$ 136,478 to Ohio Schools Council.

NOTE 19 - SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

1. A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.
2. Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 20 - CONTRACTUAL COMMITMENTS

As of June 30, 2002 the District had contractual commitments totaling \$660,697, of this \$ 367,922 is for construction projects and \$ 292,775 is committed to purchase new buses.

CLOVERLEAF LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

NOTE 21 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During fiscal year ended June 30, 2002, the reserve activity (cash basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Set-aside cash balance as of June 30, 2001	\$ (274,376)	\$ -	\$ 415,480
Reduction authorized by legislative revisions			(415,480)
Current year set-aside requirement	429,920	429,920	-
Qualifying disbursements	<u>(737,743)</u>	<u>(1,173,597)</u>	<u>-</u>
Total	<u>\$ (582,199)</u>	<u>\$ (743,677)</u>	<u>\$ -</u>
Balance carried forward to reduce future set-aside requirements	<u>\$ (582,199)</u>		

Since the qualifying expenditures for the capital maintenance reserve exceeded the fiscal year 2002 requirements, no amount will be carried forward to June 30, 2003. The District may use the negative amount in the textbook reserve to reduce set aside requirements of future years.

Effective April 10, 2001, Senate Bill 345, eliminated the requirement that School Districts' establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. During the fiscal year, the Board acted on this Senate Bill and passed a resolution to eliminate the reserve balance.

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CLOVERLEAF LOCAL SCHOOL DISTRICT

REPORT LETTERS

JUNE 30, 2002

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 25, 2002

The Board of Education
Cloverleaf Local School District
8525 Friendsville Rd.
Lodi, Ohio 44254

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the general purpose financial statements of Cloverleaf Local School District as of and for the year ended June 30, 2002, and have issued our report thereon dated November 25, 2002. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cloverleaf Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cloverleaf Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design of operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Cloverleaf Local School District in a separate letter dated November 25, 2002.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 25, 2002

The Board of Education
Cloverleaf Local School District
8525 Friendsville Rd.
Lodi, Ohio 44254

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of Cloverleaf Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Cloverleaf Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cloverleaf Local School District's management. Our responsibility is to express an opinion on Cloverleaf Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circulars A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cloverleaf Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cloverleaf Local School District's compliance with those requirements.

In our opinion, Cloverleaf Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Cloverleaf Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Cloverleaf Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis

We have audited the general purpose financial statements of Cloverleaf Local School District as of and for the year ended June 30, 2002, and have issued our report thereon dated November 25, 2002. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of Cloverleaf Local School District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hea & Associates, Inc.

**CLOVERLEAF LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursement
U. S. Department of Education (Passed Through Ohio Department of Education):					
Eisenhower Professional Development	84.281	MS-S1-2002	\$ 14,642	\$ 7,165	\$ 0
Eisenhower Professional Development	84.281	MS-S1-2001	0	4,617	0
Total Eisenhower Professional Development			14,642	11,782	0
Title VI	84.298	C2-S1-2002	17,981	14,797	0
Title VI	84.298	C2-S1-2001	3,617	3,866	0
Total Title VI			21,598	18,663	0
Title I	84.010	C1-S1-2002	270,827	257,249	0
Title I	84.010	C1-S1-2001	0	50,629	0
Total Title I			270,827	307,878	0
Safe and Drug-Free Schools and Communities	84.186	DR-S1-2002	14,142	14,142	0
Total Safe and Drug-Free Schools and Communities			14,142	14,142	0
Title VI-R	84.340	CR-S1-2002	66,175	47,447	0
Title VI-R	84.340	CR-S1-2001	12,917	21,685	0
Total Title VI-R			79,092	69,132	0
<i>Special Education Cluster</i>					
State Improvement Grant	84.027	6B-ST-02P	25,000	17,419	0
Title VI-B Flow Thru	84.027	6B-SF-02P	238,381	206,687	0
Title VI-B Flow Thru	84.027	6B-SF-2001P	36,000	51,430	0
State Improvement Grant	84.027	6B-ST-00	20,000	47,310	0
Total Title VI-B			319,381	322,846	0
Preschool Grants	84.173	PG-S1-2002P	11,630	11,630	0
Preschool Grants	84.173	PG-SC-2001P	4,032	4,032	0
Total Preschool Grants			15,662	15,662	0
<i>Total Special Education Cluster</i>					
			335,043	338,508	0
Asst. Tech Infusion Project	17.324		8,042	8,042	0
Total Asst. Tech Infusion Project			8,042	8,042	0
Total Department of Education			743,386	768,147	0
U. S. Department of Agriculture (Passed Through Ohio Department of Education):					
Nutrition Cluster:					
Food Distribution Program (A) (B)	10.550		70,552	0	69,663
School Breakfast Program (A)	10.553		29,989	29,989	0
National School Lunch Program (A)	10.555		177,510	177,510	0
Total Department of Agriculture: Nutrition Cluster			278,051	207,499	69,663
Total Federal Assistance			\$ 1,021,437	\$ 975,646	\$ 69,663

(A) Government commodities are reported at the fair market value of the commodities received and disbursed.

(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**CLOVERLEAF LOCAL SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 , Section .505
 JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Title I, CFDA # 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



**Auditor of State
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CLOVERLEAF LOCAL SCHOOL DISTRICT

MEDINA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2003**