

# **Cloverleaf Local School District**

*Basic Financial Statements*

*Year Ended June 30, 2005*





**Auditor of State  
Betty Montgomery**

Board of Trustees  
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, 2004 through June 30, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

April 7, 2006

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***Cloverleaf Local School District***  
Basic Financial Statements  
Fiscal Year Ended June 30, 2005

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 3, 2006

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

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cloverleaf Local School District, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2005, and the respective changes in financial position where applicable thereof and the respective budgetary comparison for the general fund 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 our report dated February 3, 2006 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Rea & Associates, Inc.*

## ***Cloverleaf Local School District***

Management's Discussion and Analysis

For the fiscal year ended June 30, 2005

Unaudited

This discussion and analysis of Cloverleaf Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2005 are as follows:

- Net assets of governmental activities decreased \$376,106, representing a 7% decrease from fiscal year 2004.
- General revenues accounted for \$22,252,347 in revenue or 87% of all revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for \$3,365,683, or 13% of total revenues of \$25,618,030.
- Capital assets, net of depreciation, decreased \$239,169 over the prior fiscal year. The primary cause of the decrease was the recognition of depreciation expense, which exceeded the net amount of capital assets purchases and disposals.
- The School District had \$25,994,136 in expenses related to governmental activities; only \$3,365,683 of these expenses was offset by program specific charges for services, and operating grants, contributions and interest. General revenues of \$22,252,347 contributed to support these programs.
- The general fund's fund balance decreased \$238,198, representing a 16% decrease from fiscal year 2004.

### **Using this Annual Financial Report**

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 School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Cloverleaf Local School District, the general fund is by far the most significant funds.

## ***Cloverleaf Local School District***

Management's Discussion and Analysis

For the fiscal year ended June 30, 2005

Unaudited

### **Reporting the School District as a Whole**

#### *Statement of Net Assets and the Statement of Activities*

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole the financial position of the School 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 School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District's activities are considered to be all governmental activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and food service operations. The government-wide financial statements begin on page 16.

### ***Reporting the School District's Most Significant Funds***

#### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

***Cloverleaf Local School District***

Management's Discussion and Analysis

For the fiscal year ended June 30, 2005

Unaudited

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

Information presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The governmental fund financial statements begin on page 18.

***Fiduciary Funds*** These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund financial statements begin on page 23.

***Notes to the 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. The notes to the financial statements begin on page 25.

***Cloverleaf Local School District***  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2005  
Unaudited

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

*Table 1*  
*Net Assets*

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>Restated 2004</u>
<b><u>Assets:</u></b>		
<i>Current and other assets</i>	\$ 13,016,195	\$ 12,952,164
<i>Capital assets, net of depreciation</i>	<u>6,720,232</u>	<u>6,959,401</u>
<i>Total assets</i>	<u><u>19,736,427</u></u>	<u><u>19,911,565</u></u>
<b><u>Liabilities:</u></b>		
<i>Other liabilities</i>	13,210,187	13,008,725
<i>Long-term liabilities</i>	<u>1,489,566</u>	<u>1,490,060</u>
<i>Total liabilities</i>	<u><u>14,699,753</u></u>	<u><u>14,498,785</u></u>
<b><u>Net Assets:</u></b>		
<i>Invested in capital assets, net of debt</i>	6,718,432	6,935,046
<i>Restricted</i>	1,035,298	975,831
<i>Unrestricted</i>	<u>(2,717,056)</u>	<u>(2,498,097)</u>
<i>Total net assets</i>	<u><u>\$ 5,036,674</u></u>	<u><u>\$ 5,412,780</u></u>

The overall decrease in net assets of \$376,106, or 7%, was a result of the loss of \$451,673 in grants and entitlements from the state and increased fuel costs for pupil transportation in which expenses increased by \$223,840.

Capital assets, net of related debt reported on the government-wide statements represents a large component of net assets. Capital assets include land and improvements, buildings, furniture and equipment, vehicles, and books, which are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$1,035,298, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$673,668 is restricted for capital projects and \$361,630, is restricted for other purposes. Restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for resources restricted for the operation of the School District's recreation center.

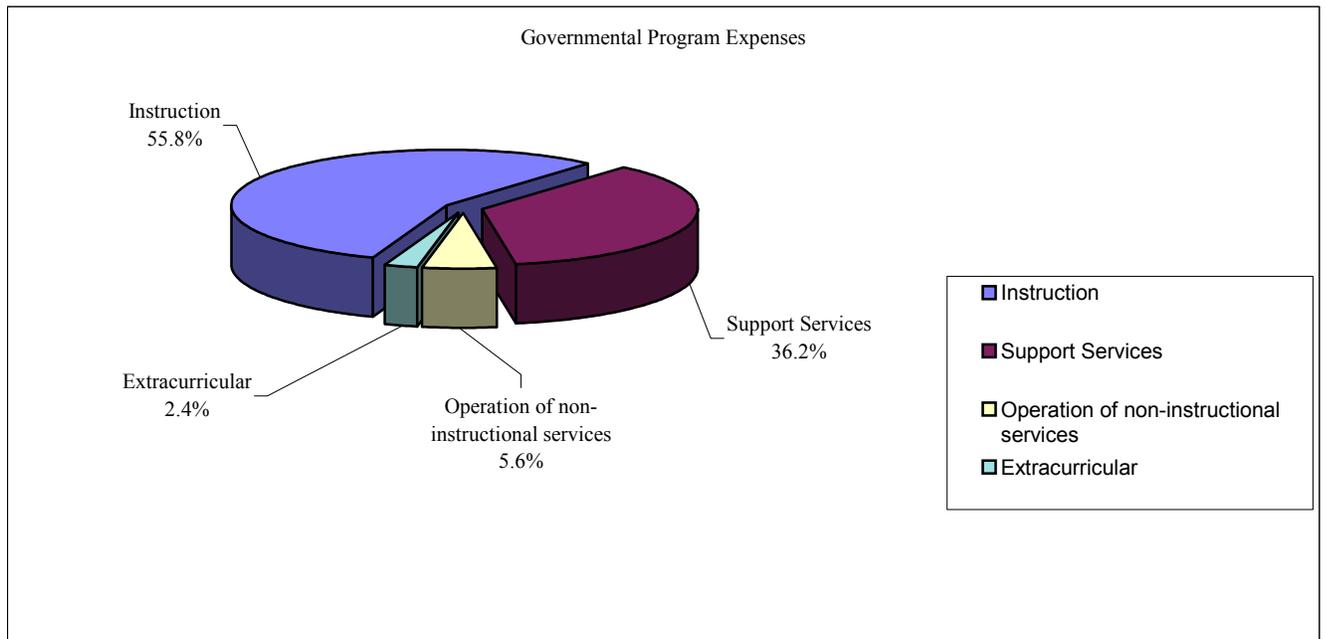
**Cloverleaf Local School District**  
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Unaudited

Table 2 shows a comparison of changes in net assets between fiscal years 2005 and 2004.

*Table 2*  
*Changes in Net Assets*

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Revenues:</u></b>		
<i>Program revenues:</i>		
Charges for services	\$ 1,696,943	\$ 1,733,181
Operating grants, contributions and interest	1,638,901	1,525,539
Capital grants, contributions and interest	29,839	-
<i>General revenues:</i>		
Property taxes	10,569,475	10,524,643
Grants and entitlements	11,534,610	11,986,283
Contributions to permanent fund		
Investment earnings	42,203	15,312
Miscellaneous	106,059	48,196
Total revenues	<u>25,618,030</u>	<u>25,833,154</u>
<b><u>Program Expenses:</u></b>		
<i>Instruction:</i>		
Regular	11,717,420	11,849,652
Special	1,987,235	2,070,095
Vocational	10,876	153,325
Other	782,459	511,917
<i>Support services:</i>		
Pupil	1,229,507	1,367,640
Instructional staff	1,123,841	868,279
Board of education	13,669	56,931
Administration	1,712,663	1,670,664
Fiscal	512,085	527,179
Business	389,628	369,276
Operation and maintenance of plant	2,586,913	2,451,341
Pupil transportation	1,749,270	1,525,430
Central	89,586	82,387
<i>Operation non-instructional services</i>		
Food service operations	939,951	978,895
Community services	515,837	247,502
Recreation center operations	-	251,483
Extracurricular activities	629,211	711,737
Interest and fiscal charges	3,985	7,106
Loss on disposal of capital assets	-	6,127
Total expenses	<u>25,994,136</u>	<u>25,706,966</u>
Change in net assets	<u>\$ (376,106)</u>	<u>\$ 126,188</u>

**Cloverleaf Local School District**  
 Management's Discussion and Analysis  
 For the fiscal year ended June 30, 2005  
 Unaudited



**Governmental Activities**

Cloverleaf Local School District depends on both property taxes and State funding.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$10.5 million in 2005. General revenues from grants and entitlements, such as the school foundation program, generated over \$11.5 million. Due to the combination of taxes and intergovernmental funding representing over 86% of all revenues, the School District monitors both of these sources very closely for fluctuations.

A review of Table 2 reflects the total cost of instructional services was \$14,497,990, or 55.8% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. Expenses to provide these programs reported a modest decrease of \$86,999, or less than 1% as compared to fiscal year 2004.

Pupil services and instructional support include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$2,353,348, or 9% of the total governmental program expenses. Costs to provide these programs increased \$117,429, or 5.3% as compared to fiscal year 2004. The primary cause of this increase was due to the purchase of supplies and computerization of classrooms.

***Cloverleaf Local School District***

Management's Discussion and Analysis

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Board of education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$2,628,045, or about 10% of governmental program expenses. Costs of these programs had a nominal increase of \$54,706, or under 2% as compared to fiscal year 2004. The primary cause of the increase was a result of increases in salaries and wages.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$2,586,913, or nearly 10% of the governmental program expenses. Costs associated with operation and maintenance reported an increase of \$135,572, or about 6% as compared to fiscal year 2004. The increase was largely attributed to rising energy costs that were beyond the control of the School District.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$1,749,270, or nearly 7% of the total governmental program expenditures. Expenses to provide these program increased \$223,840, or nearly 15% as compared to fiscal year 2004. This increase was from the acquisition of several buses and increasing fuel costs.

Overall, the School District's net assets decreased by \$376,106 during the fiscal year. The current year decrease was primarily the loss in revenue from grants and entitlements. Rising fuel and energy costs also contributed to the decrease in net assets. Additionally, the spending reductions in fiscal year 2004, were difficult to maintain in fiscal year 2005. See the "current issues affecting financial condition" that follows which states the official fiscal status of the Cloverleaf Local School District as determined by the Ohio Auditor of State.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government 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, unrestricted State entitlements and other general revenues.

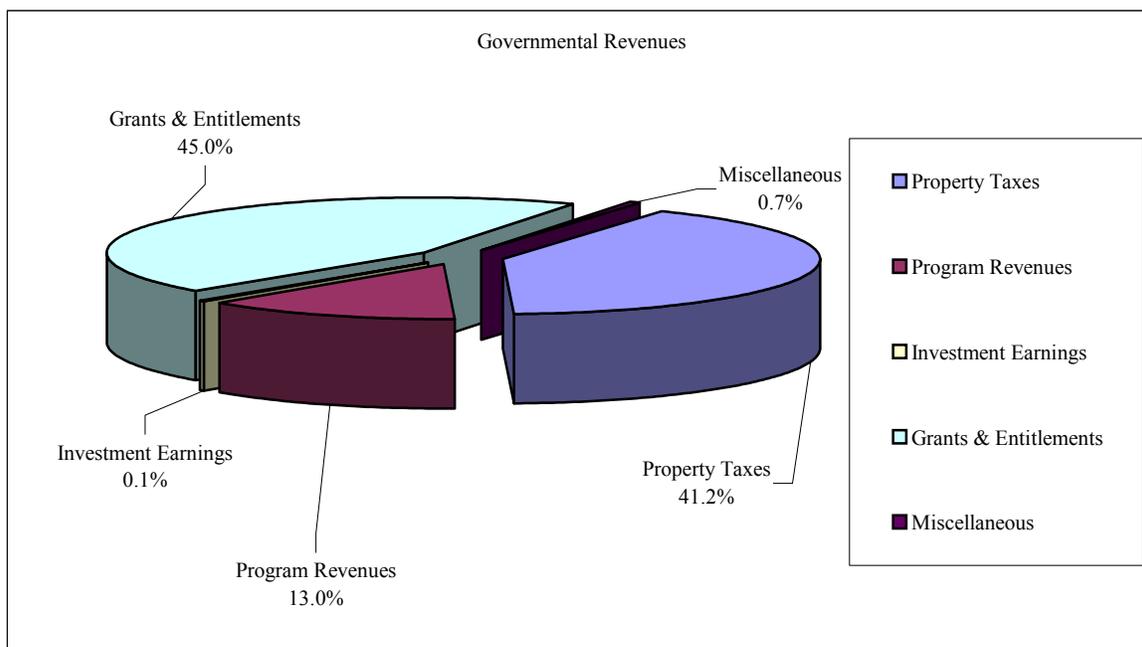
***Cloverleaf Local School District***  
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Unaudited

Table 3 also shows a comparison of for governmental activities, the total cost of services and the net cost of services between 2005 and 2004.

*Table 3*  
*Governmental Activities*

	<i>Total Cost of Services <u>2005</u></i>	<i>Total Cost of Services <u>2004</u></i>	<i>Net Cost of Services <u>2005</u></i>	<i>Net Cost of Services <u>2004</u></i>
<b><u>Program Expenses:</u></b>				
<i>Instruction:</i>				
<i>Regular</i>	\$ 11,717,420	\$ 11,849,652	\$ (11,568,186)	\$ (11,623,259)
<i>Special</i>	1,987,235	2,070,095	(1,084,067)	(1,283,968)
<i>Vocational</i>	10,876	153,325	(9,776)	(153,325)
<i>Other</i>	782,459	511,917	(782,459)	(511,917)
<i>Support services:</i>				
<i>Pupil</i>	1,229,507	1,367,640	(1,016,423)	(1,160,235)
<i>Instructional staff</i>	1,123,841	868,279	(918,363)	(744,237)
<i>Board of education</i>	13,669	56,931	(13,669)	(56,931)
<i>Administration</i>	1,712,663	1,670,664	(1,700,735)	(1,658,193)
<i>Fiscal</i>	512,085	527,179	(512,085)	(527,179)
<i>Business</i>	389,628	369,276	(376,652)	(358,326)
<i>Operation and maintenance of plant</i>	2,586,913	2,451,341	(2,584,343)	(2,450,066)
<i>Pupil transportation</i>	1,749,270	1,525,430	(1,713,467)	(1,525,430)
<i>Central</i>	89,586	82,387	(64,103)	(49,029)
<i>Operation non-instructional services</i>				
<i>Food service operations</i>	939,951	978,895	(5,358)	(2,320)
<i>Community services</i>	515,837	247,502	(130,195)	(65,291)
<i>Recreation center operations</i>	-	251,483	-	20,350
<i>Extracurricular activities</i>	629,211	711,737	(144,587)	(244,327)
<i>Interest and fiscal charges</i>	3,985	7,106	(3,985)	(7,106)
<i>Loss on disposal of capital assets</i>	-	6,127	-	(6,127)
<i>Total</i>	<u>25,994,136</u>	<u>\$ 25,706,966</u>	<u>\$ (22,628,453)</u>	<u>\$ (22,406,916)</u>

***Cloverleaf Local School District***  
 Management's Discussion and Analysis  
 For the fiscal year ended June 30, 2005  
 Unaudited



Program revenues include charges for services, grants, contributions and interest that are program specific. These revenues only accounted for about 13% of the total revenues of the School District. Based on this, it is evident of the need of resources provided by the State and property tax payers to fund the program services in which the School District provides. Property taxes made up over 41% of total revenues for governmental activities for the Cloverleaf Local Schools in fiscal year 2005. Program Revenues for governmental activities provided over 13% of governmental revenues with about 87% of all governmental activities supported through property taxes, grants and entitlement, and other general revenues. About 45% of revenues were provided by the grants and entitlements portion of general revenues, which includes monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$25,583,245 and total expenditures were \$25,755,461. For the general fund, the fund balance reported a significant decrease of \$238,198. This decrease is attributed to the factors previously discussed and the need to reduce operating costs, which will aid in bringing the School District out of "fiscal watch", as will be discussed later within this analysis.

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 Management's Discussion and Analysis  
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***General Fund Budgeting Highlights***

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

During fiscal year 2005, the School District amended its general fund budget numerous times, however none were significant. Budget revisions become necessary as expenditure priorities change according to student, building and operational needs. These revisions are requested by the Superintendent and are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue and other financing sources estimate was \$21,893,554, representing a decrease of \$73,152 from the original budget estimate of \$21,966,706. This small decrease was attributed to information available at the time of executing the final certificate.

Also for the general fund, the original expenditures and other financing uses estimate of \$23,306,650 was revised slightly over the fiscal year. Actual expenditures and financing uses were \$11,734 lower than the final budget. The School District was able to reduce expenditures across the board in order to conserve resources in anticipation of future budget deficits.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2005, the School District had \$6,720,232 invested in capital assets such as land and improvements, buildings, equipment and vehicles. Table 4 shows fiscal year 2005 balances compared to fiscal year 2004:

*Table 4*  
*Capital Assets at June 30, 2005*  
*(Net of Depreciation)*

	<i>Governmental Activities</i>	
	<u>2005</u>	<u>2004</u>
<i>Land</i>	\$ 333,900	\$ 333,900
<i>Land and improvements</i>	265,428	292,451
<i>Buildings</i>	5,166,968	5,339,836
<i>Furniture and equipment</i>	378,205	430,688
<i>Vehicles</i>	533,300	474,329
<i>Books</i>	42,431	88,197
<i>Total capital assets</i>	<u>\$ 6,720,232</u>	<u>\$ 6,959,401</u>

The primary increase occurred was for the purchase of several school buses. Fiscal year purchases were not enough to offset current year's depreciation expenses, thus a net reduction in capital assets were reported in the amount of \$239,169. See Note 9 to the basic financial statements for detail on the School District's capital assets.

## ***Cloverleaf Local School District***

Management's Discussion and Analysis

For the fiscal year ended June 30, 2005

Unaudited

### ***Debt***

At June 30, 2005 the School District had a total \$40,003 in outstanding long-term debt obligations, with \$23,130 due within one year. Table 5 summarizes the outstanding amounts:

*Table 5  
Outstanding Debt, at Fiscal Year End*

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<i>Waterline Tie-In</i>	\$ 38,203	\$ 58,270
<i>Capital Leases</i>	<u>1,800</u>	<u>24,355</u>
<i>Total outstanding debt</i>	<u>\$ 40,003</u>	<u>\$ 82,625</u>

In fiscal year 1997, the School District entered into an agreement with the Medina County Sanitary Engineering Department to amortize \$172,279 worth of water tap-in and other fees over a ten-year period. Monthly general fund expenditures will continue until fiscal year 2007, which is when this obligation will mature. The capital leases are to be repaid from the general fund, which the School District has budgeted to meet these requirements. See Note 14 to the basic financial statements for detail on the School District's long-term obligations

At June 30, 2005, the School District's overall legal debt margin was \$42,194,671 with an unvoted debt margin of \$468,830. The School District is not currently rated by Standard & Poor's or Moody's Investors Service.

### **Current Issues Affecting Financial Condition**

Effective December 31, 2003 the Ohio Department of Education's Superintendent of Public Instruction declared the School District to be in a state of Fiscal Caution. A financial recovery plan was submitted that relied upon the passage of an emergency levy to avoid a deficit in fiscal year 2005. Further cuts would not allow the School District to provide an adequate education to the children of the School District. Auditor of State, Betty Montgomery declared the Cloverleaf Local School District to be in Fiscal Watch on March 30, 2004.

To reduce costs, the School District has closed its Chatham and Lafayette Elementary buildings and made the remaining three elementaries into grade level buildings. This has allowed the School District to reduce staff significantly, primarily through attrition. After eight unsuccessful attempts, the School District finally passed a \$2,813,100 Emergency Levy on August 2, 2005. This is not the end of Cloverleaf's financial problems however as collections on 5.9 mill levy will stop as of December 2006. Cloverleaf continues to be in fiscal watch.

On June 22, 2004 a three year agreement with the certified employees of the School District was ratified and an agreement with the no-certified employees was approved July 5, 2005; also for a three year duration. The economic packages of both contracts were contingent upon the passage of a levy to receive a salary increase. These employees will receive a 3% increase as of July 1, 2006 after two years with no increase

## ***Cloverleaf Local School District***

Management's Discussion and Analysis

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Unaudited

On December 11, 2004, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. In conclusion, the School District's system of budgeting and internal controls is well regarded.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions or need additional financial information, contact Gary S Bowen, Treasurer/Chief Fiscal Officer of the Cloverleaf Local School District, 8525 Friendsville Road, Lodi, Ohio 44254 by phone (330) 948-2500 or e-mail [gbowen@cls.k12.oh.us](mailto:gbowen@cls.k12.oh.us).

## **Basic Financial Statements**

***Cloverleaf Local School District***

**Statement of Net Assets**

**June 30, 2005**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 1,464,559
Receivables:	
Taxes	11,137,013
Accounts	42,584
Intergovernmental	200,227
Prepaid items	18,407
Inventory held for resale	8,106
Materials and supplies inventory	145,299
Capital assets:	
Land	333,900
Depreciable capital assets, net	6,386,332
Total capital assets	<u>6,720,232</u>
Total assets	<u>19,736,427</u>
 <u>Liabilities:</u>	
Accounts payable	31,484
Accrued wages	2,357,820
Severance payable	124,589
Intergovernmental payable	662,925
Deferred revenue	10,033,247
Matured interest payable	122
Long-term liabilities:	
Due within one year	299,753
Due in more than one year	1,189,813
Total liabilities	<u>14,699,753</u>
 <u>Net assets:</u>	
Invested in capital assets, net of related debt	6,718,432
Restricted for:	
Capital projects	673,668
Other purposes	361,630
Unrestricted	<u>(2,717,056)</u>
Total net assets	<u>\$ 5,036,674</u>

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**

	Expenses	Program Revenues		Capital Grants, Contributions and Interest	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest		
<b><u>Governmental Activities:</u></b>					
Instruction:					
Regular	\$ 11,717,420	\$ 4,051	\$ 145,183	\$ -	\$ (11,568,186)
Special	1,987,235	268,036	635,132	-	(1,084,067)
Vocational	10,876	-	1,100	-	(9,776)
Other	782,459	-	-	-	(782,459)
Support services:					
Pupils	1,229,507	-	213,084	-	(1,016,423)
Instructional staff	1,123,841	-	205,478	-	(918,363)
Board of education	13,669	-	-	-	(13,669)
Administration	1,712,663	-	11,928	-	(1,700,735)
Fiscal	512,085	-	-	-	(512,085)
Business	389,628	9,347	3,629	-	(376,652)
Operation and maintenance of plant	2,586,913	2,570	-	-	(2,584,343)
Pupil transportation	1,749,270	-	5,964	29,839	(1,713,467)
Central	89,586	-	25,483	-	(64,103)
Operation of non-instructional services:					
Food service operations	939,951	626,099	308,494	-	(5,358)
Community services	515,837	377,054	8,588	-	(130,195)
Extracurricular activities	629,211	409,786	74,838	-	(144,587)
Interest and fiscal charges	3,985	-	-	-	(3,985)
<b>Total governmental activities</b>	<b>\$ 25,994,136</b>	<b>\$ 1,696,943</b>	<b>\$ 1,638,901</b>	<b>\$ 29,839</b>	<b>(22,628,453)</b>

**General Revenues:**

Property taxes levied for:

General purposes	9,955,739
Capital outlay	613,736
Grants and entitlements not restricted to specific programs	11,534,610
Investment earnings	42,203
Miscellaneous	106,059
<b>Total general revenues</b>	<b>22,252,347</b>
 Change in net assets	 (376,106)
 Net assets beginning of year, as restated	 5,412,780
<b>Net assets end of year</b>	<b>\$ 5,036,674</b>

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***

**Balance Sheet**

**Governmental Funds**

**June 30, 2005**

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 385,641	\$ 1,078,918	\$ 1,464,559
Receivables:			
Taxes	10,494,866	642,147	11,137,013
Accounts	42,584	-	42,584
Intergovernmental	-	200,227	200,227
Interfund	90,000	-	90,000
Inventory held for resale	-	8,106	8,106
Materials and supplies inventory	139,800	5,499	145,299
Prepaid items	18,407	-	18,407
Total assets	<u>11,171,298</u>	<u>1,934,897</u>	<u>13,106,195</u>
<u>Liabilities:</u>			
Accounts payable	\$ 22,945	\$ 8,539	\$ 31,484
Accrued wages	2,275,249	82,571	2,357,820
Interfund payable	-	90,000	90,000
Intergovernmental payable	616,907	46,018	662,925
Severance payable	124,589	-	124,589
Matured interest payable	-	122	122
Deferred revenue	9,851,614	667,349	10,518,963
Total liabilities	<u>12,891,304</u>	<u>894,599</u>	<u>13,785,903</u>
<u>Fund balances:</u>			
Reserved:			
Reserved for encumbrances	395,805	254,819	650,624
Reserved for property taxes	648,808	41,540	690,348
Unreserved, undesignated, reported in:			
General fund	(2,764,619)	-	(2,764,619)
Special revenue funds	-	237,546	237,546
Capital projects fund	-	506,393	506,393
Total fund balances	<u>(1,720,006)</u>	<u>1,040,298</u>	<u>(679,708)</u>
Total liabilities and fund balances	<u>\$ 11,171,298</u>	<u>\$ 1,934,897</u>	<u>\$ 13,106,195</u>

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2005**

Total governmental funds balances		\$ (679,708)
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,720,232
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 413,418	
Intergovernmental	66,742	
Charges for services	5,556	
Total	<u>485,716</u>	
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Waterline tie-in	(38,203)	
Compensated absences	(1,449,563)	
Capital leases	(1,800)	
Total	<u>(1,489,566)</u>	
Net assets of governmental activities		<u><u>\$ 5,036,674</u></u>

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2005**

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes	\$ 9,983,922	\$ 615,047	\$ 10,598,969
Intergovernmental	11,412,925	1,537,967	12,950,892
Interest	42,203	703	42,906
Tuition and fees	276,051	27,461	303,512
Extracurricular activities	17,441	380,469	397,910
Gifts and donations	14,390	89,648	104,038
Charges for services	9,347	945,479	954,826
Rent	2,570	46,138	48,708
Miscellaneous	83,533	97,951	181,484
Total revenues	<u>21,842,382</u>	<u>3,740,863</u>	<u>25,583,245</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	11,322,134	155,851	11,477,985
Special	1,586,245	427,309	2,013,554
Vocational	12,986	1,100	14,086
Other	782,459	-	782,459
Support services:			
Pupils	1,024,244	214,669	1,238,913
Instructional staff	825,588	272,777	1,098,365
Board of education	13,669	-	13,669
Administration	1,678,283	13,332	1,691,615
Fiscal	496,386	10,846	507,232
Business	381,801	7,185	388,986
Operation and maintenance of plant	1,943,096	628,325	2,571,421
Pupil transportation	1,615,528	3,072	1,618,600
Central	63,231	25,483	88,714
Operation of non-instructional services:			
Food services operations	-	930,190	930,190
Community services	37,224	418,499	455,723
Extracurricular activities	87,824	534,194	622,018
Capital outlay	61,275	134,049	195,324
Debt service:			
Principal retirement	42,622	-	42,622
Interest and fiscal charges	3,985	-	3,985
Total expenditures	<u>21,978,580</u>	<u>3,776,881</u>	<u>25,755,461</u>
Excess of revenues over (under) expenditures	<u>(136,198)</u>	<u>(36,018)</u>	<u>(172,216)</u>
<u>Other financing sources (uses):</u>			
Transfers in	-	102,000	102,000
Transfers out	<u>(102,000)</u>	<u>-</u>	<u>(102,000)</u>
Total other financing sources (uses)	<u>(102,000)</u>	<u>102,000</u>	<u>-</u>
Net change in fund balances	(238,198)	65,982	(172,216)
Fund balances beginning of year, as restated	<u>(1,481,808)</u>	<u>974,316</u>	<u>(507,492)</u>
Fund balances end of year	<u>\$ (1,720,006)</u>	<u>\$ 1,040,298</u>	<u>\$ (679,708)</u>

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***

**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, 2005**

Net change in fund balances - total governmental funds \$ (172,216)

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 capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions (net of transfers)	\$ 195,324	
Depreciation expense	(434,493)	
Excess of capital asset depreciation expense over additions		(239,169)

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

Property taxes	\$ (29,498)	
Intergovernmental	66,742	
Tuition and Fees	(8,015)	
Miscellaneous	5,556	
Net change in deferred revenues during the year		34,785

Repayment of debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 42,622

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences		(42,128)

Change in net assets of governmental activities \$ (376,106)

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***  
**Statement of Revenues, Expenditures and Changes in Fund Balance-**  
**Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 10,092,000	\$ 10,014,700	\$ 10,020,577	\$ 5,877
Intergovernmental	11,481,706	11,412,509	11,400,669	(11,840)
Interest	17,000	35,000	42,203	7,203
Tuition and fees	242,100	262,200	265,184	2,984
Extracurricular activities	18,000	18,000	17,441	(559)
Gifts and donations	-	14,140	14,390	250
Charges for services	12,000	12,000	9,347	(2,653)
Rent	900	2,200	2,406	206
Miscellaneous	20,000	20,000	23,581	3,581
Total revenues	21,883,706	21,790,749	21,795,798	5,049
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	11,987,997	11,674,730	11,746,164	(71,434)
Special	1,687,804	1,656,560	1,551,904	104,656
Vocational	39,227	39,596	36,318	3,278
Other	737,209	712,314	824,483	(112,169)
Support services:				
Pupils	1,129,511	1,088,559	1,060,360	28,199
Instructional staff	834,757	860,913	833,336	27,577
Board of education	32,999	32,999	22,669	10,330
Administration	1,746,422	1,771,062	1,685,802	85,260
Fiscal	545,648	538,837	511,450	27,387
Business	403,177	400,463	432,326	(31,863)
Operation and maintenance of plant	2,251,664	2,245,331	2,075,591	169,740
Pupil transportation	1,487,348	1,563,228	1,757,978	(194,750)
Central	64,954	64,992	61,453	3,539
Operation of non-instructional services	88,608	66,759	66,803	(44)
Extracurricular activities	184,325	170,908	101,870	69,038
Total expenditures	23,221,650	22,887,251	22,768,507	118,744
Excess of revenues over (under) expenditures	(1,337,944)	(1,096,502)	(972,709)	123,793
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	-	2,800	2,788	(12)
Refund of prior year expenditures	30,000	47,005	46,932	(73)
Refund of prior year receipts	-	-	(10)	(10)
Advances in	53,000	53,000	53,000	-
Advances out	-	-	(90,000)	(90,000)
Transfers out	(85,000)	(85,000)	(102,000)	(17,000)
Total other financing sources (uses)	(2,000)	17,805	(89,290)	(107,095)
Net change in fund balance	(1,339,944)	(1,078,697)	(1,061,999)	16,698
Fund balances at beginning of year	936,758	936,758	936,758	-
Prior year encumbrances appropriated	154,136	154,136	154,136	-
Fund balances at end of year	\$ (249,050)	\$ 12,197	\$ 28,895	\$ 16,698

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2005**

	Private Purpose Trusts	Agency
	<hr/>	<hr/>
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 5,607	\$ 70,040
	<hr/>	<hr/>
<u>Liabilities:</u>		
Accounts payable	\$ 117	\$ 5,385
Undistributed monies	-	13,291
Due to students	-	51,364
Total liabilities	<hr/> 117	<hr/> \$ 70,040
	<hr/>	<hr/>
<u>Net assets:</u>		
Held in trust for scholarships	4,082	
Held in trust for alumni	1,408	
Total net assets	<hr/> \$ 5,490	
	<hr/>	

See accompanying notes to the basic financial statements.

***Cloverleaf Local School District***  
**Statement of Changes in Fiduciary Net Assets**  
**Private Purpose Trust Funds**  
**For the Fiscal Year Ended June 30, 2005**

	Private Purpose Trusts
<u>Additions:</u>	
Gifts and donations	\$ 2,800
Miscellaneous	735
Total additions	<u>3,535</u>
 <u>Deductions:</u>	
Payments in accordance with trust agreements	<u>1,235</u>
Change in net assets	2,300
Net assets beginning of year	<u>3,190</u>
Net assets end of year	<u><u>\$ 5,490</u></u>

See accompanying notes to the basic financial statements.

## ***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

### **NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Cloverleaf Local School District (the School 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 School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, June 30, 2005 was 3,495. The School District employs 212 certificated and 156 non-certificated employees.

#### **Reporting Entity**

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Cloverleaf Local School District, this includes general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District has no component units.

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

Lake Erie Educational Computer Association - The School 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 School District's participation is disclosed in Note 16 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 School District's participation is disclosed in Note 16 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. This is a jointly governed organization. The School District's participation is disclosed in Note 16 to the financial statements.

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

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The effect of interfund activity, within governmental type activities columns has been removed from these statements.

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

**Fund Financial Statements**

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

## ***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

### B. Fund Accounting

The School 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 School 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 School District are grouped into the categories governmental and fiduciary.

#### Governmental Funds:

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund is the only major fund of the School District:

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

#### Fiduciary Fund Types:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust funds are private purpose trusts, which account for scholarship and alumni programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only agency fund reports resources that belong to the student bodies of the various schools.

### C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Private purpose trust funds are reported using the economic resources measurement focus.

## ***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

### D. 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. The private purpose trust funds and the agency fund also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

#### Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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, grants, investment earnings, tuition, and student fees.

#### Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

## ***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

### Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair 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, Contributions and Interest" 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.

#### E. 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.

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005. 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 reappropriated.

## ***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

### F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented on the statement of net assets in the account, "Equity in pooled cash and cash equivalents". During the current fiscal year investments were limited to overnight repurchase agreements. All investments of the School District had maturity of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market price. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as listed in Note 5.

### G. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

### H. Inventory

On the government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used.

Inventories of the general fund, and food service and uniform school supplies special revenue funds are stated at cost, which is determined on a first-in, first-out basis. Inventory in the general fund consist of expendable supplies held for consumption. Inventories of the food service fund consist of donated food, purchased food, and supplies held for resale. Inventories of the uniform school supplies fund consist of supplies held for resale. Inventories are recorded as expenditures when purchased on the fund financial statements.

### I. Capital Assets

General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars and greater than five years useful life. The School 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 School District to not capitalize interest costs incurred as part of construction.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
<i>Land improvements</i>	<i>5 - 20 years</i>
<i>Buildings</i>	<i>30 - 50 years</i>
<i>Furniture and equipment</i>	<i>5 - 20 years</i>
<i>Vehicles</i>	<i>5 - 20 years</i>
<i>Books</i>	<i>5 - 15 years</i>

**J. Interfund balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net assets.

**K. Compensated absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School 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 School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "severance payable" in the fund from which the employees who have accumulated leave are paid.

**L. Accrued liabilities and long-term obligations**

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions 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 loans are recognized as a liability on the governmental fund financial statements when due.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

M. Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the spent outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for resources restricted for the operation of the School District's recreation center.

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

N. Fund balance reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of the fund balance that is available for appropriation in future periods. Fund balance reserve has been established for encumbrances and property taxes.

O. Interfund transactions

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

P. Estimates

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

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES, RESTATEMENT OF FUND BALANCES AND NET ASSETS**

A. Changes in accounting principles

For fiscal year 2005, the School District has implemented GASB Statement No. 40, "Deposits and Investment Risk Disclosures"; GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers" and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits and Other Than Pensions.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

**B. Restatement of fund balances**

As a result of the implementation of the Technical Bulletin and GASB Statement No. 45, certain beginning fund balances were required to be restated. These restatements involve reporting pension and other postemployment benefit liabilities on the governmental fund financial statements where beforehand were exclusively reported on the government-wide financial statements.

**C. Restatement of net assets**

Following the close of the previous fiscal year, an inventory of capital assets was conducted and a few assets were revealed to be erroneously reported. As a result of these errors, a restatement of the capital balance, accumulated depreciation and net assets is required.

The restatement of fund balance is presented below:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<i>Fund balances at June 30, 2004</i>	\$ (1,279,909)	\$ 998,129	\$ (281,780)
<i>Restatement of intergovernmental payable</i>	<u>(201,899)</u>	<u>(23,813)</u>	<u>(225,712)</u>
<i>Restated fund balances at July 1, 2004</i>	<u>\$ (1,481,808)</u>	<u>\$ 974,316</u>	<u>\$ (507,492)</u>
	<u>Governmental Activities</u>		
<i>Net assets at June 30, 2004</i>	\$ 7,718,916		
<i>Restatement of capital assets, net of depreciation</i>	<u>(2,306,136)</u>		
<i>Restated net assets at July 1, 2004</i>	<u>\$ 5,412,780</u>		

**NOTE 4- BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the general 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

	<u>General</u>
<i>GAAP Basis</i>	\$ (238,198)
<i>Revenue accruals</i>	56,136
<i>Expenditure accruals</i>	(1,258,036)
<i>Encumbrances (Budget Basis) outstanding at year end</i>	378,099
<i>Budget Basis</i>	<u>\$ (1,061,999)</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School 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 School 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 moneys. Interim moneys are those moneys 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 pass book accounts.

Interim moneys may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

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;
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;

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

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; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on hand

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

B. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$955,155. The School District's bank balance of \$1,275,197 was exposed to custodial credit risk as follows:

<i>Uninsured and collateral held by pledging bank's trust department and not in the School District's name</i>	\$ 1,075,197
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***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

C. Investments

As of June 30, the School District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Repurchase agreements	\$ 585,000	Daily	N/A <sup>(1)</sup>

<sup>(1)</sup> Underlying securities are exempt.

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 fiscal year 2005 amounted to \$42,203, which includes \$17,726 assigned from other School District funds.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School 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 School District's \$585,000 investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy refers and adheres to Ohio Revised Code Section 135 on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2001 for the following tax year. Public utility property taxes are assessed on tangible personal property at 85% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value for capital assets and 23% of true value of inventory.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

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 earlier or later payment dates to be established.

Tangible personal property taxes 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.

The School District receives property taxes from Medina County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by year-end are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of year end. 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 receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$648,808 in the general fund, and \$41,540 in the permanent improvement capital projects fund. These advances are recognized as revenue on the fund financial statements.

There were no new levies passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

<u>Property Category</u>	<u>2003</u> <u>Assessed Value</u>	<u>2004</u> <u>Assessed Value</u>
<u>Real Property</u>		
<i>Residential and Agricultural</i>	\$ 338,954,810	\$ 372,525,270
<i>Commercial and Industrial</i>	60,638,990	62,833,990
<i>Public Utilities</i>	337,580	361,160
<i>Mineral</i>	362,920	339,100
<u>Tangible Personal Property</u>		
<i>General</i>	20,474,741	19,610,158
<i>Public Utilities</i>	13,843,480	13,160,000
<i>Total</i>	<u>\$ 434,612,521</u>	<u>\$ 468,829,678</u>

**NOTE 7 - RECEIVABLES**

Receivables at year-end consisted of taxes, accounts, intergovernmental grants and entitlements, and interfund. 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 fund accounts receivable at year-end consisted of excess costs, rent, and other miscellaneous reimbursements of \$42,584. The IDEA special revenue fund recorded an intergovernmental receivable for federal grants and reimbursements in the amount of \$200,227.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

**NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund balances at June 30, 2005 consisted of the following:

*Due to general fund from:*  
*Nonmajor governmental funds*           \$   90,000

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2005, all interfund loans outstanding are anticipated to be repaid in fiscal year 2006.

Interfund transfers for the year ended June 30, 2005, consisted of the following:

*Transfers from general fund to:*  
*Nonmajor governmental funds*           \$  102,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations

**NOTE 9 - CAPITAL ASSETS**

The capital asset balances of the governmental activities have been restated due to the completion of an inventory of capital assets. (See Note 3 for details). Below is a summary of the effect of these restatements:

	<i>Balance</i>		<i>Restated</i>
	<i>June 30, 2004</i>	<i>Adjustments</i>	<i>Balance</i>
			<i>June 30, 2004</i>
<i><u>Governmental activities</u></i>			
<i>Land</i>	\$   333,900	\$           -	\$   333,900
<i>Land improvements</i>	1,160,023	-	1,160,023
<i>Buildings</i>	11,653,008	31,488	11,684,496
<i>Furniture and equipment</i>	985,623	(222,144)	763,479
<i>Vehicles</i>	1,730,369	12,067	1,742,436
<i>Books</i>	2,213,691	(1,483,739)	729,952
<i>Less: Accumulated depreciation</i>	<u>(8,811,077)</u>	<u>(643,808)</u>	<u>(9,454,885)</u>
<i>Total</i>	<u>9,265,537</u>	<u>(2,306,136)</u>	<u>6,959,401</u>

***Cloverleaf Local School District***  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2005

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

<i>Governmental Activities</i>	<i>Balance June 30, 2004</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance June 30, 2005</i>
<i>Capital assets, not being depreciated:</i>				
<i>Land</i>	\$ 333,900	\$ -	\$ -	\$ 333,900
<i>Capital assets, being depreciated:</i>				
<i>Land improvements</i>	1,160,023	-	-	1,160,023
<i>Buildings</i>	11,684,496	-	-	11,684,496
<i>Furniture and equipment</i>	763,479	5,499	-	768,978
<i>Vehicles</i>	1,742,436	189,825	-	1,932,261
<i>Books</i>	729,952	-	-	729,952
<i>Total capital assets, being depreciated</i>	<u>16,080,386</u>	<u>195,324</u>	<u>-</u>	<u>16,275,710</u>
<i>Less: Accumulated depreciation</i>				
<i>Land improvements</i>	(867,572)	(27,023)	-	(894,595)
<i>Buildings</i>	(6,344,660)	(172,868)	-	(6,517,528)
<i>Furniture and equipment</i>	(332,791)	(57,982)	-	(390,773)
<i>Vehicles</i>	(1,268,107)	(130,854)	-	(1,398,961)
<i>Books</i>	(641,755)	(45,766)	-	(687,521)
<i>Total accumulated depreciation</i>	<u>(9,454,885)</u>	<u>(434,493)</u>	<u>-</u>	<u>(9,889,378)</u>
<i>Total capital assets being depreciated, net</i>	<u>6,625,501</u>	<u>(239,169)</u>	<u>-</u>	<u>6,386,332</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 6,959,401</u>	<u>\$ (239,169)</u>	<u>\$ -</u>	<u>\$ 6,720,232</u>

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 165,561
<i>Vocational</i>	5,406
<i>Support services:</i>	
<i>Instructional staff</i>	27,347
<i>Administration</i>	3,807
<i>Operation and maintenance of plant</i>	32,510
<i>Pupil transportation</i>	128,754
<i>Central</i>	735
<i>Operation of non-instructional services:</i>	
<i>Food service operations</i>	6,327
<i>Community services</i>	57,399
<i>Extracurricular activities</i>	6,647
<i>Total depreciation expense</i>	<u>\$ 434,493</u>

**NOTE 10 - RISK MANAGEMENT**

The School 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 nor has insurance coverage been significantly reduced in the past three years.

The School 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 \$250,000 per participant and an aggregate stop-loss provision of \$69,160,000.

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 school 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 school district subsequent to the settlement of all claims and expenses.

The School District is 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 school 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***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School 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 toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 10.57% for pension obligations. For the fiscal year 2004, 9.09% was used to fund pension obligations. 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$386,282, \$339,675, and \$278,448, respectively; 40% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005, in the amount of \$230,983, is recorded as an intergovernmental payable.

**B. State Teachers Retirement System**

The School 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 by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

### ***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members are required to contribute 10% of their annual covered salaries. The School District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004 and 2003 were \$1,576,454, \$1,570,519, and \$1,704,515 respectively; 84% has been contributed for the fiscal year 2005 and 100% for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal years 2005 were \$2,057 made by the School District and \$14,578 made by the plan members.

### **NOTE 12 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

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 STRS Board currently allocates employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund from which payments for health care benefits are paid. For the School District, this amount equaled \$121,266 for the fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43% of covered payroll, a decrease of 1.48% from fiscal year 2004. 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 the fiscal year 2005, the minimum pay has been established at \$27,400. However, the surcharge is capped at 2% of each employer's SERS salaries. For the 2005 fiscal year, School District paid \$175,471 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS has approximately 58,123 participants eligible to receive benefits.

**NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The School District, in prior years, has entered into capitalized leases for the acquisition of lighting for several areas with the School District, which includes the athletic stadium. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized as land improvements in the amount of \$467,998 equal to the present value of the future minimum lease payments in the government-wide financial statements. Principal payments for leases in the current fiscal year totaled \$22,555.

The future minimum lease payments total \$1,810 which includes \$10 in interest, and the total present value of minimum lease payments are \$1,800 at year end.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

**NOTE 14 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during the fiscal year were as follows:

	<i>Balance at</i> <u>June 30, 2004</u>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at</i> <u>June 30, 2005</u>	<i>Due In</i> <u>One Year</u>
<i>Governmental Activities</i>					
<i>Waterline Tie-in , 6.12%</i>	\$ 58,270	\$ -	\$ (20,067)	\$ 38,203	\$ 21,330
<i>Other liabilities</i>					
<i>Capital leases</i>	24,355	-	(22,555)	\$ 1,800	1,800
<i>Compensated absences</i>	1,407,435	342,823	(300,695)	\$ 1,449,563	276,623
<i>Total other liabilities</i>	<u>1,431,790</u>	<u>342,823</u>	<u>(323,250)</u>	<u>1,451,363</u>	<u>278,423</u>
<i>Governmental activities long-term liabilities</i>	<u>\$ 1,490,060</u>	<u>\$ 342,823</u>	<u>\$ (343,317)</u>	<u>\$ 1,489,566</u>	<u>\$ 299,753</u>

In fiscal year 1997, the School District entered into an agreement with the Medina County Sanitary Engineering Department to amortize \$172,279 worth of water tap-in and other fees over a ten-year period. These amortized costs will mature in fiscal year 2007. Payments will be funded with general fund operating revenues.

Compensated absences will be paid from the fund from which the person is paid. In prior years this has primarily been the general fund. Capital lease obligations will be paid from the general fund.

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2005 are as follows:

<u>Fiscal Year Ending</u>	<u>Water Tap-In</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 21,330	\$ 1,746
2007	16,873	434
<i>Total</i>	<u>\$ 38,203</u>	<u>\$ 2,180</u>

***Cloverleaf Local School District***  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2005

**NOTE 15 - OPERATING LEASES**

The School 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 School District's funds. Total lease expenditures for the year ended June 30, 2005 were \$49,984. Future minimum rental payments required under this lease as of June 30, 2005 are as follows:

<i>Fiscal Year</i>	<i>Lease Payments</i>
2006	49,984
2007	49,984
2008	45,784
<i>Total minimum lease payments</i>	<u>\$ 145,752</u>

**NOTE 16 - 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, 2005, the School District paid \$55,156 to LEECA for basic service charges.

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. A board of directors chosen from the general membership governs Ohio Schools Council. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Ohio Schools Council located at 6376 Mill Road, Broadview Heights, Ohio, 44147. During the year ended June 30, 2005, the School District paid \$101,882 to Ohio Schools Council.

***Cloverleaf Local School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

C. Medina County Joint Vocational School District

The Medina County Joint Vocational School District 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 Joint Vocational School District is not part of the School District and its operations are not included as part of the reporting entity. During fiscal year 2005, the School District paid \$19,401 to the Medina County Joint Vocational School District. Financial information can be obtained by contacting the Treasurer at the Medina County Joint Vocational School District, 1101 West Liberty Street, Medina, Ohio 44256.

**NOTE 17 - CONTINGENCIES**

A. Grants:

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

B. School Funding:

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio general Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**NOTE 18 - STATUTORY RESERVES**

The School District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and qualifying disbursements during the year that reduced set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

**Cloverleaf Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2005

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Total</u>
<i>Set-aside balance</i>			
<i>as of June 30, 2004</i>	\$ (426,786)	\$ -	\$ (426,786)
<i>Current year set-aside requirement</i>	489,792	489,792	979,584
<i>Current year offset</i>	-	-	-
<i>Qualifying disbursements</i>	<u>(271,829)</u>	<u>(817,142)</u>	<u>(1,088,971)</u>
<i>Total</i>	<u>\$ (208,823)</u>	<u>\$ (327,350)</u>	<u>(536,173)</u>
<i>Balance carried forward to FY2006</i>	<u>\$ (208,823)</u>		

**NOTE 19 - FUND DEFICITS**

As of June 30, 2005, two funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances as follows:

<u>Fund</u>	<u>Amount</u>
<i>General fund</i>	\$ 1,987,934
<i>Special revenue funds:</i>	
<i>Food service</i>	42,545

**NOTE 20 - REQUIRED SUPPLEMENTARY INFORMATION (RSI) IS OMITTED**

For the fiscal year ended, the School District was required to implement GASB Technical Bulletin No. 2004-2. In addition to the implementation of this guidance, the School District simultaneously implemented GASB Statement No. 45, as recommended by the GASB. This Statement requires employers to present as required supplementary information (RSI) schedules of funding progress and employer contributions for the plan as a whole if a plan financial report, prepared in accordance with GASB Statement 43 is not issued and made publicly available and the plan is not included in the financial report of a public employee retirement system or another entity. SERS and STRS have not issued a financial report in accordance with the statement and have not conducted a valuation of their plans, as they were not required to implement the statement as of the date of this report. Therefore, RSI is unavailable to the School District and it does not follow these notes to the financial statements.

**NOTE 21 – SUBSEQUENT EVENT**

On August 2, 2005 the voters of the School District approved an additional tax levy in excess of the ten mill limitation in order to raise the amount of \$2,813,100 each year for three years for the purpose of providing for the emergency requirements of the School District. The levy has an annual tax rate of 6.0 mills which will generate \$0.60 for each one hundred dollars of valuation.

# **Cloverleaf Local School District**

\* \* \* \*

*Report Letters*

***June 30, 2005***

**CLOVERLEAF LOCAL SCHOOL DISTRICT**  
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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 3, 2006

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

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cloverleaf Local School District as of and for the year ended June 30, 2005, and have issued our report thereon dated February 3, 2006, which collectively comprise Cloverleaf Local School District basic financial statements. 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.

### 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 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 reportable 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 misstatements caused by error or fraud in amounts that would be material in relation to the 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 February 3, 2006.

### Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Cloverleaf Local School District in a separate letter dated February 3, 2006.

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 those specified parties.

*Rea & Associates, Inc.*

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 3, 2006

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, 2005. 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 Circular 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, 2005.

Cloverleaf Local School District  
Report on Compliance

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 reportable 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 caused by error or fraud 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cloverleaf Local School District as of and for the year ended June 30, 2005, and have issued our report thereon dated February 3, 2006. Our audit was performed for the purpose of forming an opinion on the basic 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 basic financial statements of Cloverleaf Local School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use 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 those specified parties.

*Hea & Associates, Inc.*

**CLOVERLEAF LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>					
Title I	84.010	C1-S1-2005	\$ 250,994	\$ 250,994	\$ 0
Title I	84.010	C1-S1-2004	16,669	25,182	0
Total Title I			<u>267,663</u>	<u>276,176</u>	<u>0</u>
<i>Special Education Cluster</i>					
IDEA-B	84.027	6B-SF-2005	467,196	471,938	0
Total IDEA-B			<u>467,196</u>	<u>471,938</u>	<u>0</u>
Preschool Grants	84.173	PG-S1-2005	16,058	16,058	0
Total Preschool Grants			<u>16,058</u>	<u>16,058</u>	<u>0</u>
<i>Total Special Education Cluster</i>					
			<u>483,254</u>	<u>487,996</u>	<u>0</u>
Safe and Drug-Free Schools and Communities	84.186	DR-S1-2005	13,114	13,114	0
Total Safe and Drug-Free Schools and Communities			<u>13,114</u>	<u>13,114</u>	<u>0</u>
Title VI	84.298	C2-S1-2005	14,729	14,729	0
Title VI	84.298	C2-S1-2004	1,961	2,945	0
Total Title VI			<u>16,690</u>	<u>17,674</u>	<u>0</u>
Title II-D	84.318	TJ-S1-05	6,673	7,006	0
Total Title II-D			<u>6,673</u>	<u>7,006</u>	<u>0</u>
State Improvement Grant	84.323	ST-S1-02	0	6,111	0
Total State Improvement Grant			<u>0</u>	<u>6,111</u>	<u>0</u>
Title II-A	84.367	TR-S1-05	126,938	126,938	0
Title II-A	84.367	TR-S1-04	16,092	21,586	0
Total Title II-A			<u>143,030</u>	<u>148,524</u>	<u>0</u>
Total Department of Education			<u>930,424</u>	<u>956,601</u>	<u>0</u>
<b>U. S. Department of Health and Human Services</b>					
Community Alternative Funding System	93.778		19,383	19,383	0
State Children's Health Insurance Program	93.767		1,333	1,333	0
Total Department of Health and Human Services			<u>20,716</u>	<u>20,716</u>	<u>0</u>
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>					
Nutrition Cluster:					
Food Distribution Program	10.550		29,471 (A)	0	29,471
School Breakfast Program	10.553		51,442 (B)	51,442	0
National School Lunch Program	10.555		231,599 (B)	231,599	0
Total Department of Agriculture: Nutrition Cluster			<u>312,512</u>	<u>283,041</u>	<u>29,471</u>
Team Nutrition Grants	10.574		0	9,176	0
Total Team Nutrition Grants			<u>0</u>	<u>9,176</u>	<u>0</u>
Total Nutrition Cluster			<u>312,512</u>	<u>292,217</u>	<u>29,471</u>
Total Federal Assistance			<u>\$ 1,263,652</u>	<u>\$ 1,269,534</u>	<u>\$ 29,471</u>

(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, 2005**

**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):	Nutrition Cluster CFDA # 10.55* Community Alternative Funding System CFDA # 93.778
(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  
Betty Montgomery**

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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  
MAY 4, 2006**