



Dave Yost • Auditor of State

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

**Financial Forecast
For the Fiscal Year Ending June 30, 2014**

Local Government Services Section

Cloverleaf Local School District
Medina County

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Dave Yost • Auditor of State

Financial Planning and Supervision Commission
Cloverleaf Local School District
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

and

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

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Cloverleaf Local School District, Medina County, Ohio, and issued a report dated January 24, 2014.

The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating surplus for the fiscal year ending June 30, 2014, of \$2,201,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2015 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2014.

DAVE YOST
Auditor of State

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Unice S. Smith
Chief of Local Government Services

May 8, 2014

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Dave Yost • Auditor of State

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Cloverleaf Local School District for the fiscal year ending June 30, 2014. The Cloverleaf Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2011, 2012, and 2013 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements for Accounting and Review services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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DAVE YOST
Auditor of State

January 24, 2014

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Cloverleaf Local School District
Medina County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2011 Through 2013 Actual;
For the Fiscal Year Ending June 30, 2014 Forecasted
General Fund

	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Actual	Fiscal Year 2014 Forecasted
Revenues				
General Property Taxes	\$11,563,000	\$11,598,000	\$11,862,000	\$11,533,000
Tangible Personal Property Taxes	33,000	0	0	0
Income Tax	1,905,000	1,990,000	2,011,000	2,035,000
Unrestricted Grants-in-Aid	9,102,000	9,197,000	9,208,000	9,214,000
Restricted Grants-in-Aid	53,000	63,000	106,000	79,000
Restricted Federal Grants-in-Aid - SFSF and Education Jobs	1,273,000	13,000	0	0
Property Tax Allocation	2,785,000	2,149,000	1,686,000	1,647,000
All Other Revenues	950,000	1,012,000	1,040,000	1,006,000
<i>Total Revenues</i>	<u>27,664,000</u>	<u>26,022,000</u>	<u>25,913,000</u>	<u>25,514,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	1,000,000	1,000,000	0	0
Solvency Assistance Advance	0	678,000	0	0
Advances In	130,000	266,000	0	0
<i>Total Other Financing Sources</i>	<u>1,130,000</u>	<u>1,944,000</u>	<u>0</u>	<u>0</u>
<i>Total Revenues and Other Financing Sources</i>	<u>28,794,000</u>	<u>27,966,000</u>	<u>25,913,000</u>	<u>25,514,000</u>
Expenditures				
Personal Services	15,483,000	15,003,000	13,453,000	13,023,000
Employees' Retirement/Insurance Benefits	7,006,000	6,460,000	5,741,000	6,034,000
Purchased Services	3,374,000	4,072,000	3,887,000	4,552,000
Supplies and Materials	887,000	861,000	741,000	806,000
Capital Outlay	0	8,000	4,000	20,000
Debt Service:				
Principal-Tax Anticipation Note	1,000,000	1,000,000	0	0
Principal-Solvency Assistance Advance	0	0	339,000	339,000
Interest	3,000	3,000	0	0
Other Objects	319,000	388,000	409,000	444,000
<i>Total Expenditures</i>	<u>28,072,000</u>	<u>27,795,000</u>	<u>24,574,000</u>	<u>25,218,000</u>
Other Financing Uses				
Transfers Out	82,000	85,000	73,000	90,000
Advances Out	266,000	280,000	0	25,000
<i>Total Other Financing Uses</i>	<u>348,000</u>	<u>365,000</u>	<u>73,000</u>	<u>115,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>28,420,000</u>	<u>28,160,000</u>	<u>24,647,000</u>	<u>25,333,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	374,000	(194,000)	1,266,000	181,000
Cash Balance July 1	774,000	1,148,000	954,000	2,220,000
Cash Balance June 30	1,148,000	954,000	2,220,000	2,401,000
Encumbrances				
Actual/Estimated Encumbrances June 30	275,000	200,000	128,000	200,000
Unencumbered/Unreserved Fund Balance June 30	<u>\$873,000</u>	<u>\$754,000</u>	<u>\$2,092,000</u>	<u>\$2,201,000</u>

See accompanying summary of significant forecast assumptions and accounting policies
See independent accountant's report

Cloverleaf Local School District
Medina County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Note 1 – The School District

The Cloverleaf Local School District (the School District) is located in Medina County and encompasses the Villages of Chippewa Lake, Gloria Glens Park, Lodi, Seville, and Westfield Center and the Townships of Chatham, Lafayette, and Westfield. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates one elementary school, one middle school, and one high school. The School District is staffed by 135 classified and 165 certificated personnel to provide services to approximately 2,657 students and other community members.

Note 2 – Nature of the Forecast

This financial forecast presents, to the best of the Cloverleaf Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of January 24, 2014, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

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

Note 4 – Summary of Significant Accounting Policies

Basis of Accounting

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

Cloverleaf Local School District
Medina County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Fund Accounting

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

Cloverleaf Local School District
Medina County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Fiduciary Funds

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

Budgetary Process

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

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

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

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

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

Note 5 – General Operating Assumptions

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

Cloverleaf Local School District
 Medina County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2014

Note 6 – Significant Assumptions for Revenues and Other Financing Sources

General and Tangible Personal Property Taxes

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

Property taxes are levied and assessed on a calendar year basis while the School District’s fiscal year runs from July through June. Property tax revenue received during calendar year 2014 (the collection year) for real and public utility property taxes represents collections of 2013 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

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

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2015 scheduled property tax settlements. The potential advances have been excluded due to the School District’s inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board’s intent not to appropriate any such advances for fiscal year 2014.

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

<u>Tax Levies</u>	<u>Year Approved</u>	<u>Full Tax Rate (Per \$1,000 of Assessed Valuation)</u>
Inside Ten Mill Limitation (Unvoted)	n/a	\$4.50
Continuing Operating	1976	22.90
Continuing Operating	1981	10.00
Continuing Operating	1990	10.00
Emergency (\$2,813,000)	2008	6.00
Total Tax Rate		<u>\$53.40</u>

The School District also has a levy for permanent improvements with a rate of \$2.00 per \$1,000 of assessed valuation. The School District’s total tax rate is \$55.40 per \$1,000 of assessed valuation.

Cloverleaf Local School District
Medina County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$27.16 per \$1,000 of assessed valuation for collection year 2013, and the effective commercial and industrial real property tax rate is \$26.86 per \$1,000 of assessed valuation for collection year 2014.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Tangible personal property used in business was taxed in calendar years prior to 2011. No tangible personal property taxes are levied or collected after calendar year 2010. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax – General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Medina County Auditor. The School District anticipates a decrease of \$329,000 from the prior fiscal year due to less delinquent taxes collected than in the prior fiscal year.

Tangible Personal Property Tax – Tangible personal property tax was levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on personal property began a phase out of the tax. No tangible personal property taxes were levied or collected in calendar year 2011 from general business taxpayers and no tangible personal property tax on telephone property was collected in 2012. The School District, based on the last year of collections before the phase out period, lost approximately \$1,088,000, annually. The State of Ohio reimbursed the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below).

Income Tax

On November 7, 2006, the voters approved a continuing, 0.5 percent income tax that became effective on January 1, 2007. The tax is levied on the earned income of residents of the Cloverleaf Local School District. The forecasted amount for fiscal year 2014 is based upon the Ohio Department of Taxation's timeline for receiving district income tax payments and the estimated percentages for collections per quarter by the State Tax Commissioner. An increase of \$24,000 is anticipated over the prior fiscal year due to improving economic conditions and higher income for taxpayers in the School District.

Cloverleaf Local School District
Medina County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Unrestricted Grants-in-Aid

In fiscal year 2011, Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal year 2011, 21 mills for 2012 and 2013, and 20 mills for 2014 and thereafter.

The State Department of Education, Division of School Finance calculated the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount were phased in over a five year period. In addition, school districts were guaranteed 98 percent for fiscal year 2011 of the total amount received from fiscal year 2009 State Foundation aid.

In fiscal year 2011, approximately seven percent of the adequacy funding was provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (Restricted Federal Grants-in-Aid) for the Cloverleaf Local School District.

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

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continues to use the current fiscal year count taken during the first full week of October. This amount is then multiplied by the State Share Index, which factors in the property wealth and the income of residents of the school district. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts are guaranteed to the amount received for fiscal year 2013

Cloverleaf Local School District
Medina County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

(including transportation aid and funding for career technical education) and no school district will receive an increase greater than 6.25 percent for fiscal year 2014. Based on the most current foundation settlement, the School District estimates \$9,079,000 in foundation funding.

Beginning in fiscal year 2013, the School District is receiving additional unrestricted grants-in-aid revenue due to casino revenue. The first two casinos opened in Ohio in May 2012, with two more casinos to follow. Of the casino revenue collected by the State, 34 percent is distributed to school districts, based on student population. The School District anticipates casino revenue of \$135,000, for a total unrestricted grants-in-aid amount of \$9,214,000.

Restricted Grants-in-Aid

In past fiscal years, restricted grants-in-aid consisted of career technologies, bus purchase, and catastrophic aid special education monies. Catastrophic aid is a supplemental payment to the School District for special education students in categories two through five whose educational and related expenses exceed \$27,375 and for special education students in category six whose educational and related expenses exceed \$32,850. For fiscal year 2014, the School District anticipates \$79,000 in restricted grants-in-aid monies for career technologies.

Restricted Federal Grants-in-Aid

In fiscal years 2010 and 2011, restricted federal grants-in-aid consisted of State Fiscal Stabilization Funds and the Education Jobs grant monies. In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education was distributed to school districts as part of the foundation settlement payments twice a month. These funds had limited restrictions on their use. The School District received \$1,909,000 for fiscal years 2010 and 2011 and chose to use these funds for teacher salaries. SFSF has not been reauthorized by the Federal government.

In 2010, Congress passed, and the President signed, legislation that provided \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant could be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds had limited restrictions on their use.

Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption will increase State allocation revenue and decrease property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

Cloverleaf Local School District
 Medina County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2014

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

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecasted Fiscal Year 2014	Variance
Homestead and Rollback	\$1,668,000	\$1,680,000	\$1,683,000	\$1,644,000	(\$39,000)
Utility Deregulation	29,000	0	3,000	3,000	0
Tangible Personal Property Loss Reimbursement	1,088,000	469,000	0	0	0
Totals	\$2,785,000	\$2,149,000	\$1,686,000	\$1,647,000	(\$39,000)

All Other Revenues

All other revenues include tuition, extracurricular fees, interest, student class fees, sale of capital assets and other revenue.

The decrease in open enrollment tuition revenue is due to the decrease in the number of students from other school districts attending the School District.

The School District has a pay to participate fee that is charged for extracurricular activities. The extracurricular fees are expected to decrease slightly from the prior fiscal year due to fewer students participating.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest revenue is expected to remain consistent with the prior fiscal year due to similar interest rates.

Student class fees are forecasted to decrease significantly from prior fiscal years due to accounting changes from the Ohio Department of Education. These revenues started to be recorded in the uniform school supplies fund shortly after the beginning of the school year. The forecasted amount is what had been recorded prior to this change.

The School District receipted property tax abatement revenue into a separate fund in prior fiscal years. During fiscal year 2012, the \$125,000 balance of that fund was reclassified to the general fund and approximately \$52,000 and \$12,000 was received in fiscal years 2012 and 2013, respectively. Fiscal year 2014 is anticipated to fall between the two previous fiscal years at approximately \$38,000.

Cloverleaf Local School District
Medina County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2014

Refund of prior year expenditures for the forecasted fiscal year was based on the amount received fiscal year to date. This revenue increased substantially over the prior fiscal year due to one-time reimbursements from the Ohio Bureau of Workers' Compensation and the Medina County Educational Service Center.

Other revenues are anticipated to increase in fiscal year 2014 due to higher field trip reimbursements.

All other revenues consist of the following:

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecasted Fiscal Year 2014	Variance Increase (Decrease)
Open Enrollment Tuition	\$277,000	\$324,000	\$467,000	\$328,000	(\$139,000)
Other Tuition	94,000	202,000	163,000	179,000	16,000
Extracurricular Fees	144,000	160,000	149,000	140,000	(9,000)
Interest	10,000	7,000	6,000	7,000	1,000
Student Class Fees	137,000	136,000	120,000	4,000	(116,000)
Sale of Capital Assets	0	4,000	14,000	6,000	(8,000)
Property Tax Abatements	176,000	52,000	12,000	38,000	26,000
Refund of Prior Year Expenditures	59,000	96,000	34,000	197,000	163,000
Other	53,000	31,000	75,000	107,000	32,000
Totals	<u>\$950,000</u>	<u>\$1,012,000</u>	<u>\$1,040,000</u>	<u>\$1,006,000</u>	<u>(\$34,000)</u>

Other Financing Sources

Proceeds from Sale of Notes – During fiscal year 2011, the School District issued \$1,000,000 in tax anticipation notes at an interest rate of 1.61 percent. During fiscal year 2012, the School District issued \$1,000,000 in tax anticipation notes at an interest rate of 1.36 percent. The School District did not issue any tax anticipation notes during fiscal year 2013 and does not anticipate doing so in fiscal year 2014.

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

Advances In – During fiscal year 2010, the general fund advanced \$130,000 to other funds, which was returned in fiscal year 2011. During fiscal year 2011, the general fund advanced \$266,000 to other funds, which was then returned in fiscal year 2012. In fiscal year 2012, the general fund advanced \$280,000 to other funds, with the majority going to the food service fund. Rather than advancing money back and forth every year between the general and food service funds, the food service fund kept the money received in fiscal year 2012 and will advance money back to the general fund as it can.

Cloverleaf Local School District
 Medina County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2014

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative salaries are set by an administrative agreement.

Staffing levels for the last three fiscal years and the forecast period are displayed in the chart below. The amounts represent full time equivalents.

	2011	2012	2013	2014
General Fund:				
Certified	172	167	156	156
Classified	138	124	116	110
Total General Fund	310	291	272	266
Other Funds				
Certified	25	16	8	9
Classified	29	28	31	25
Total Other Funds	54	44	39	34
Totals	364	335	311	300

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases and educational incentives for existing staff. The contract covers the period July 1, 2012 to June 30, 2015. Certified employees are expected to receive a step increase of 1.5 percent in early February 2014. The decrease in certified salaries is due to higher paid teachers retiring and being replaced with younger, lower paid teachers.

Classified salaries are based on a negotiated contract which includes step increases. The contract covers the period July 1, 2012 to June 30, 2015. Classified employees received no base salary increase and step increases ranging from 1.5 to 3 percent in fiscal year 2014. Classified salaries are forecasted to slightly decrease from the prior fiscal year due to fewer classified employees.

Substitute salaries are forecasted to decrease due to fewer employees employed by the School District.

Supplemental salaries are forecasted to stay in line with the prior fiscal year.

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

Cloverleaf Local School District
 Medina County
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Overtime is forecasted to decrease from the prior fiscal year due to the School District not needing to move furniture, equipment, and supplies into the new elementary school building and setting it up, as was needed in the prior fiscal year.

Other salaries are forecasted to remain consistent with the prior fiscal year due to board members expecting to have the same amount of meetings as the prior fiscal year due to budget concerns.

The following table is a comparison of salaries and wages for fiscal years 2011, 2012, and 2013 and the forecast period.

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance Increase (Decrease)
Certified Salaries	\$11,337,000	\$10,926,000	\$9,725,000	\$9,260,000	(\$465,000)
Classified Salaries	2,952,000	2,885,000	2,664,000	2,648,000	(16,000)
Substitute Salaries	641,000	546,000	475,000	438,000	(37,000)
Supplemental Contracts	331,000	288,000	276,000	279,000	3,000
Severance	141,000	260,000	203,000	304,000	101,000
Overtime	35,000	56,000	62,000	46,000	(16,000)
Other Salaries and Wages	46,000	42,000	48,000	48,000	0
Totals	\$15,483,000	\$15,003,000	\$13,453,000	\$13,023,000	(\$430,000)

Employees' Retirement/Insurance Benefits

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

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. The School District pays the employee retirement contributions for its superintendent, treasurer and other administrators. The decrease that appears on the employee benefits schedule is due to the School District employing fewer employees in the current fiscal year.

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

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

<u>Coverage:</u>	<u>Effective July 1, 2012</u>	<u>Effective July 1, 2013</u>
Health		
Single	\$577.44	\$603.43
Family	1,402.77	1,465.90
Dental		
Single	73.36	76.67
Family	180.88	189.02

Health care costs are based on the number of employees participating in the program and the type of coverage (single or family) provided to each employee. The health care program includes medical, prescription drug and dental care. Health care rates are fixed for a twelve month period. The increase in health care/dental/life insurance is due to more employees employed by the School District electing to receive health care coverage through the School District and the School District taking two premium holidays during fiscal year 2014, as opposed to three in fiscal year 2013.

Life insurance premiums are based on the coverage amount and the anticipated number of employees participating in the program.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. In fiscal year 2014, the School District paid 100 percent of the premium for calendar year 2013 in February 2014. The workers' compensation premium due in fiscal year 2014 is forecasted to increase from the prior fiscal year due to a higher rate than the prior calendar year covered.

Unemployment is forecasted to stay in line with the prior fiscal year.

Two groups of former employees retired and received not only their severance but also an incentive when they retired. This combined benefit is being paid over five to six fiscal years and is being administered through the Public Agency Retirement Service (PARS). There is a decrease in the forecasted amount during fiscal year 2014 from fiscal year 2013 due to the completion of the payment schedule for the incentive.

Cloverleaf Local School District
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Presented below is a comparison of fiscal years 2011, 2012, 2013 and the forecast period:

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance Increase (Decrease)
Employer's Retirement	\$2,564,000	\$2,531,000	\$2,316,000	\$2,253,000	(\$63,000)
Health Care/Life Insurance	3,862,000	3,317,000	2,920,000	3,379,000	459,000
Workers' Compensation	118,000	116,000	105,000	123,000	18,000
Medicare	198,000	199,000	189,000	205,000	16,000
Unemployment	22,000	55,000	25,000	24,000	(1,000)
Severance	241,000	241,000	185,000	49,000	(136,000)
Other Benefits	1,000	1,000	1,000	1,000	0
Totals	<u>\$7,006,000</u>	<u>\$6,460,000</u>	<u>\$5,741,000</u>	<u>\$6,034,000</u>	<u>\$293,000</u>

Purchased Services

Presented below are the purchased service expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance Increase (Decrease)
Professional and Technical Services	\$731,000	\$836,000	\$959,000	\$1,068,000	\$109,000
Property Services	299,000	277,000	232,000	273,000	41,000
Travel and Meeting Expenses	17,000	25,000	23,000	24,000	1,000
Communication Costs	84,000	108,000	106,000	102,000	(4,000)
Utility Services	485,000	458,000	544,000	648,000	104,000
Trade Services	6,000	6,000	11,000	10,000	(1,000)
Tuition Payments	1,737,000	2,342,000	1,999,000	2,416,000	417,000
Pupil Transportation	15,000	20,000	13,000	11,000	(2,000)
Totals	<u>\$3,374,000</u>	<u>\$4,072,000</u>	<u>\$3,887,000</u>	<u>\$4,552,000</u>	<u>\$665,000</u>

Professional and technical services and property services increased from the prior fiscal year due to the School District upgrading its software and servers in fiscal year 2014 for student testing purposes. Property services increased from the prior fiscal year mainly due to having higher than anticipated property repairs. Travel and meeting expenses are anticipated to remain consistent with the prior fiscal year. Communication costs slightly decreased from the prior fiscal year due to receiving monthly credits in fiscal year 2014 from the discontinuation of four telephone lines in fiscal year 2013 that the School District was being charge for, but not using. Utility services costs have increased mainly due to higher electric costs associated with operating the new elementary school and record low temperatures in the winter thus far. Tuition payments increased significantly due to increases in special education excess costs relating to more special education students and new special education requirements, the School District's participation in the Jon Peterson Special Needs Scholarship Program, increased open enrollment out due to more students opting for the Post Secondary Enrollment Option, and increased open enrollment out due to more students who reside in the School District attending schools outside of the School District. Pupil transportation is expected to remain consistent in fiscal year 2014 with the prior fiscal year costs due to consistent operations.

Cloverleaf Local School District
 Medina County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2014

Supplies and Materials

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$283,000	\$304,000	\$253,000	\$301,000	\$48,000
Operations, Maintenance and Repair	578,000	557,000	486,000	505,000	19,000
Textbooks	26,000	0	2,000	0	(2,000)
Totals	<u>\$887,000</u>	<u>\$861,000</u>	<u>\$741,000</u>	<u>\$806,000</u>	<u>\$65,000</u>

Supplies and materials are anticipated to increase due to the School District needing to replenish supplies for the buildings, grounds, and buses.

Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2014, the School District is forecasting \$20,000 in equipment expenditures, which is more than the prior fiscal year expenditures due to the School District having a need for more equipment throughout all buildings.

Debt Service

During fiscal year 2011, the School District issued \$1,000,000 in tax anticipation notes at 1.61 percent. The School District paid the entire note back during fiscal year 2011. The School District paid \$3,000 in interest on these notes in fiscal year 2011.

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

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

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Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of \$444,000. This amount is higher than the prior fiscal year primarily due to the School District paying higher County election expenses due to putting levies on the ballot.

Operating Transfers and Advances Out

For fiscal year 2014, \$90,000 in transfers is anticipated to be made to the district managed activities fund to cover operating costs. In prior fiscal years, transfers were made to the district managed activities and food service funds.

For fiscal year 2014, \$25,000 is anticipated to be advanced out to other funds to temporarily cover operations. In fiscal years 2012 and prior, the general fund advanced to the food service fund each year to cover the deficit balance at fiscal year-end. Instead of the general fund advancing the food service fund money year after year, the food service fund kept the money advanced to it in fiscal year 2012 and will incrementally advance the general fund back as it can.

Note 8 – Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal year ended June 30, 2014, are estimated to be \$200,000.

Note 9 – Capital Acquisition and Improvements Set-Aside

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

The set aside amount required is approximately \$462,000 for fiscal year 2014. The School District anticipates \$934,000 in offsets during the current fiscal year due to the permanent improvement tax levy. Therefore, no reserve for capital acquisition and improvements is forecasted.

Note 10 – Pending Litigation

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

Cloverleaf Local School District
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Note 11 – Levies

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

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

Note 12 – Financial Planning and Supervision Commission

On January 24, 2012, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District’s declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Medina County Auditor. The Commission’s primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must be in accordance with the plan.

The initial financial recovery plan was adopted on June 5, 2012, and under State law is to be updated annually. The plan includes the passage of a new emergency property tax levy, staff reductions of 15 positions, eliminating a bus route, an unexpected extra health insurance premium holiday in fiscal year 2013, and other subsequent, smaller cost-cutting measures.

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Note 13 – Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in October 2013 covered fiscal years 2014 through 2018 and assumed the continued operation of the School District with an increase in revenues due to the potential passage of an emergency levy in November 2013. At that time, the School District anticipated an operating surplus of \$3,157,000 for fiscal year 2014 and an accumulated operating surplus of \$6,029,000 by the end of fiscal year 2018. Since then, the levy in November 2013 failed and an updated five-year financial plan is required to be filed with the Ohio Department of Education by the end of May 2014 and will cover fiscal years 2014 through 2018, reflecting that change in assumption.

The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for analysis purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.



Dave Yost • Auditor of State

CLOVERLEAF LOCAL SCHOOL DISTRICT

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2014**