

CLOVERLEAF LOCAL SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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

We have reviewed the independent auditor's report of the Cloverleaf Local School District, Medina County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2000 through June 30, 2001. 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.

JIM PETRO
Auditor of State

January 9, 2002

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**CLOVERLEAF LOCAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2001**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the Cloverleaf Local School District (the District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Cloverleaf Local School District, as of June 30, 2001 and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the general purpose financial statements, the District adopted Governmental Accounting Standards Board Statement No. 33 as of and for the year ended June 30, 2001. This results in a change to the District's accounting for certain nonexchange revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "G. B. Fink", with a stylized flourish at the end.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

November 19, 2001

GENERAL PURPOSE FINANCIAL STATEMENTS

CLOVERLEAF LOCAL SCHOOL DISTRICT
 COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and other debits</u>				
Assets				
Pooled cash and equivalents	\$ 1,501,093	\$ 306,453	\$ -	\$ 548,470
Restricted cash and equivalents	415,480	-	25,122	-
Receivables, net of allowance				
Taxes, current	8,956,849	-	-	574,529
Taxes, delinquent	387,624	-	-	23,035
Accrued interest	12,632	-	-	-
Intergovernmental receivable	1,242	76,566	-	85
Interfund receivable	205	-	-	-
Inventories and supplies	161,492	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Other debits				
Amount to be provided for debt	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Amount to be provided for capital leases	-	-	-	-
Total assets and other debits	<u>\$ 11,436,617</u>	<u>\$ 383,019</u>	<u>\$ 25,122</u>	<u>\$ 1,146,119</u>
 <u>Liabilities, fund equity and other credits</u>				
Liabilities				
Accounts and contracts payable	\$ 72,752	\$ 11,425	\$ -	\$ 166,741
Accrued wages and benefits	2,333,326	78,951	-	-
Matured bonds and coupon payable	-	-	25,122	-
Intergovernmental payable	414,720	2,397	-	11
Interfund payable	-	205	-	-
Due to students	-	-	-	-
Deferred revenue	8,894,819	36,949	-	567,531
Installment plan payable	-	-	-	-
Capital leases	-	-	-	-
Compensated absences	144,347	-	-	-
Total liabilities	<u>11,859,964</u>	<u>129,927</u>	<u>25,122</u>	<u>734,283</u>
Fund equity and other credits				
Investment in general fixed assets	-	-	-	-
Retained earnings				
Unreserved	-	-	-	-
Fund balance				
Reserved for inventories	161,492	-	-	-
Reserved for property tax	449,654	-	-	30,033
Reserved for encumbrances	575,145	66,124	-	342,251
Reserved for budget stabilization	415,480	-	-	-
Unreserved	(2,025,118)	186,968	-	39,552
Total fund equity and other credits	<u>(423,347)</u>	<u>253,092</u>	<u>-</u>	<u>411,836</u>
Total liabilities, fund equity and other credits	<u>\$ 11,436,617</u>	<u>\$ 383,019</u>	<u>\$ 25,122</u>	<u>\$ 1,146,119</u>

The accompanying notes are an integral part of this statement.

Fund Type	Fund Types	Account Groups		Totals
Enterprise	Trust and Agency	General Fixed Assets	General Long-term Debt	(Memorandum Only)
\$ 79,472	\$ 75,831	\$ -	\$ -	\$ 2,511,319
-	-	-	-	440,602
-	-	-	-	9,531,378
-	-	-	-	410,659
-	-	-	-	12,632
29,223	-	-	-	107,116
-	-	-	-	205
26,875	-	-	-	188,367
270,820	-	17,075,421	-	17,346,241
(188,870)	-	-	-	(188,870)
-	-	-	111,619	111,619
-	-	-	1,930,763	1,930,763
-	-	-	272,787	272,787
<u>\$ 217,520</u>	<u>\$ 75,831</u>	<u>\$ 17,075,421</u>	<u>\$ 2,315,169</u>	<u>\$ 32,674,818</u>

\$ 15,450	\$ 10,350	\$ -	\$ -	\$ 276,718
49,248	-	-	-	2,461,525
-	-	-	-	25,122
30,885	25	-	205,295	653,333
-	-	-	-	205
-	59,334	-	-	59,334
10,584	-	-	-	9,509,883
-	-	-	111,619	111,619
-	-	-	272,787	272,787
20,515	-	-	1,725,468	1,890,330
<u>126,682</u>	<u>69,709</u>	<u>-</u>	<u>2,315,169</u>	<u>15,260,856</u>
-	-	17,075,421	-	17,075,421
90,838	-	-	-	90,838
-	-	-	-	161,492
-	-	-	-	479,687
-	-	-	-	983,520
-	-	-	-	415,480
-	6,122	-	-	(1,792,476)
<u>90,838</u>	<u>6,122</u>	<u>17,075,421</u>	<u>-</u>	<u>17,413,962</u>
<u>\$ 217,520</u>	<u>\$ 75,831</u>	<u>\$ 17,075,421</u>	<u>\$ 2,315,169</u>	<u>\$ 32,674,818</u>

CLOVERLEAF LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 9,279,333	\$ -	\$ -	\$ 585,682
Tuition and fees	187,731	-	-	-
Interest	212,203	-	-	-
Intergovernmental	11,187,196	830,697	-	204,268
Extracurricular	-	159,378	-	-
Miscellaneous	62,536	78,661	-	-
Total revenues	20,928,999	1,068,736	-	789,950
Expenditures				
Current				
Instruction				
Regular	10,986,274	114,016	-	120,506
Special	1,240,351	349,850	-	-
Vocational education	155,034	-	-	-
Other instruction	440,974	-	-	-
Supporting services				
Pupil	1,027,568	131,823	-	-
Instructional	784,026	213,050	-	6,538
Board of education	25,045	-	-	-
Administration	1,612,875	14,699	-	182
Fiscal	445,078	-	-	9,807
Business	288,742	3,833	-	-
Operation and maintenance	2,143,077	-	-	-
Pupil transportation	1,451,013	-	-	-
Central services	25,922	42,307	-	-
Operation of non-instructional services				
Community services	73,866	-	-	-
Extracurricular				
Academic oriented	22,260	67,891	-	-
Sports oriented	346,399	111,002	-	-
Co-curricular	12,992	93,475	-	-
Capital outlay	4,965	-	-	198,453
Debt service				
Principal	105,403	-	-	-
Interest	21,989	-	-	5,325
Total expenditures	21,213,853	1,141,946	-	340,811
Excess (deficiency) of revenues over expenditures	(284,854)	(73,210)	-	449,139
Other financing sources (uses)				
Operating transfers-in	-	62,944	-	38,420
Gain on sale of assets	4,747	-	-	-
Operating transfers-out	(144,904)	-	(38,420)	-
Total other financing sources (uses)	(140,157)	62,944	(38,420)	38,420
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(425,011)	(10,266)	(38,420)	487,559
Fund balances at beginning of year (restated)	4,661	263,358	38,420	(75,723)
(Decrease) in reserve for inventory	(2,997)	-	-	-
Fund balances at end of year	\$ (423,347)	\$ 253,092	\$ -	\$ 411,836

The accompanying notes are an integral part of this statement.

Fiduciary Fund Type		Totals
Expendable Trust		(Memorandum Only)
\$ -	\$	9,865,015
-		187,731
-		212,203
-		12,222,161
-		159,378
12,769		153,966
12,769		22,800,454
-		11,220,796
-		1,590,201
-		155,034
-		440,974
101		1,159,492
-		1,003,614
-		25,045
-		1,627,756
-		454,885
-		292,575
-		2,143,077
-		1,451,013
-		68,229
11,710		85,576
-		90,151
290		457,691
-		106,467
-		203,418
-		105,403
-		27,314
12,101		22,708,711
668		91,743
-		101,364
-		4,747
-		(183,324)
-		(77,213)
668		14,530
5,454		236,170
-		(2,997)
\$ 6,122	\$	247,703

CLOVERLEAF LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 9,330,208	\$ 9,289,142	\$ (41,066)
Tuition and fees	188,844	187,731	(1,113)
Interest	202,132	219,468	17,336
Intergovernmental	11,259,223	11,225,606	(33,617)
Extracurricular	-	-	-
Miscellaneous	62,692	62,536	(156)
Total revenues	21,043,099	20,984,483	(58,616)
Expenditures			
Current			
Instruction			
Regular	11,364,586	11,170,345	194,241
Special	1,390,846	1,224,994	165,852
Vocational education	159,170	156,789	2,381
Other instruction	396,625	473,364	(76,739)
Supporting services			
Pupil	1,090,429	1,018,233	72,196
Instructional	829,656	772,576	57,080
Board of education	33,880	26,196	7,684
Administration	1,685,047	1,613,915	71,132
Fiscal	469,638	451,645	17,993
Business	321,059	301,632	19,427
Operation and maintenance	2,626,624	2,413,643	212,981
Pupil transportation	1,721,968	1,700,087	21,881
Central services	30,547	26,134	4,413
Operation of non-instructional services			
Community services	90,311	76,615	13,696
Extracurricular			
Academic oriented	22,250	21,757	493
Occupation oriented	1,500	-	1,500
Sports oriented	348,839	344,768	4,071
Co-curricular	13,700	12,628	1,072
Capital outlay	4,965	4,965	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	22,601,640	21,810,286	791,354
Excess (deficiency) of revenues over expenditures	(1,558,541)	(825,803)	732,738
Other financing sources (uses)			
Operating transfers-in	319,911	319,911	-
Gain on sale of assets	4,747	4,747	-
Advances in	-	50,500	50,500
Refund of prior year's expenditures	76,475	76,475	-
Operating transfers-out	(482,380)	(465,183)	17,197
Advances out	-	(205)	(205)
Refund of prior year's receipts	(1,000)	(15)	985
Total other financing sources (uses)	(82,247)	(13,770)	68,477
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(1,640,788)	(839,573)	801,215
Prior year's encumbrances	272,829	272,829	-
Fund balances at beginning of year	1,822,085	1,822,085	-
Fund balances at end of year	\$ 454,126	\$ 1,255,341	\$ 801,215

The accompanying notes are an integral part of this statement.

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 272,230	\$ 272,230	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
962,395	967,701	5,306	-	-	-
166,785	159,378	(7,407)	-	-	-
74,328	85,312	10,984	-	-	-
1,203,508	1,212,391	8,883	272,230	272,230	-
186,589	126,254	60,335	-	-	-
412,907	346,698	66,209	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
132,167	131,755	412	-	-	-
265,229	258,332	6,897	-	-	-
-	-	-	-	-	-
17,828	14,574	3,254	-	-	-
-	-	-	-	-	-
3,833	3,833	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
50,705	46,987	3,718	-	-	-
-	-	-	-	-	-
75,040	69,144	5,896	-	-	-
183	-	183	-	-	-
130,347	112,465	17,882	-	-	-
151,696	96,668	55,028	-	-	-
113,033	113,033	-	-	-	-
-	-	-	300,000	300,000	-
-	-	-	10,650	10,650	-
1,539,557	1,319,743	219,814	310,650	310,650	-
(336,049)	(107,352)	228,697	(38,420)	(38,420)	-
62,944	62,944	-	-	-	-
-	-	-	-	-	-
-	205	205	-	-	-
1,100	1,100	-	-	-	-
-	-	-	-	-	-
-	(10,000)	(10,000)	-	-	-
(136)	(136)	-	-	-	-
63,908	54,113	(9,795)	-	-	-
(272,141)	(53,239)	218,902	(38,420)	(38,420)	-
14,535	14,535	-	-	-	-
267,607	267,607	-	63,542	63,542	-
\$ 10,001	\$ 228,903	\$ 218,902	\$ 25,122	\$ 25,122	\$ -

(continued)

CLOVERLEAF LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001 (continued)

	Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 330,101	\$ 314,011	\$ (16,090)
Tuition and fees	-	-	-
Interest	-	-	-
Intergovernmental	199,503	204,324	4,821
Extracurricular	-	-	-
Miscellaneous	-	-	-
Total revenues	529,604	518,335	(11,269)
Expenditures			
Current			
Instruction			
Regular	117,321	120,784	(3,463)
Special	-	-	-
Vocational education	-	-	-
Other instruction	-	-	-
Supporting services			
Pupil	-	-	-
Instructional	10,000	6,538	3,462
Board of education	-	-	-
Administration	182	182	-
Fiscal	10,000	9,807	193
Business	-	-	-
Operation and maintenance	454,925	454,925	-
Pupil transportation	53,778	53,778	-
Central services	-	-	-
Operation of non-instructional services			
Community services	-	-	-
Extracurricular			
Academic oriented	-	-	-
Occupation oriented	-	-	-
Sports oriented	-	-	-
Co-curricular	-	-	-
Capital outlay	50,000	31,712	18,288
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	696,206	677,726	18,480
Excess (deficiency) of revenues over expenditures	(166,602)	(159,391)	7,211
Other financing sources (uses)			
Operating transfers-in	-	-	-
Gain on sale of assets	-	-	-
Advances in	-	-	-
Refund of prior year's expenditures	-	-	-
Operating transfers-out	-	-	-
Advances out	-	-	-
Refund of prior year's receipts	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(166,602)	(159,391)	7,211
Prior year's encumbrances	-	-	-
Fund balances at beginning of year	198,869	198,869	-
Fund balances at end of year	\$ 32,267	\$ 39,478	\$ 7,211

The accompanying notes are an integral part of this statement.

Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 9,932,539	\$ 9,875,383	\$ (57,156)
188,844	187,731	(1,113)
202,132	219,468	17,336
12,421,121	12,397,631	(23,490)
166,785	159,378	(7,407)
137,020	147,848	10,828
<u>23,048,441</u>	<u>22,987,439</u>	<u>(61,002)</u>

11,668,496	11,417,383	251,113
1,803,753	1,571,692	232,061
159,170	156,789	2,381
396,625	473,364	(76,739)
1,222,596	1,149,988	72,608
1,104,885	1,037,446	67,439
33,880	26,196	7,684
1,703,057	1,628,671	74,386
479,638	461,452	18,186
324,892	305,465	19,427
3,081,549	2,868,568	212,981
1,775,746	1,753,865	21,881
81,252	73,121	8,131
90,311	76,615	13,696
97,290	90,901	6,389
1,683	-	1,683
479,186	457,233	21,953
165,396	109,296	56,100
167,998	149,710	18,288
300,000	300,000	-
10,650	10,650	-
<u>25,148,053</u>	<u>24,118,405</u>	<u>1,029,648</u>
<u>(2,099,612)</u>	<u>(1,130,966)</u>	<u>968,646</u>
382,855	382,855	-
4,747	4,747	-
-	50,705	50,705
77,575	77,575	-
(482,380)	(465,183)	17,197
-	(10,205)	(10,205)
(1,136)	(151)	985
<u>(18,339)</u>	<u>40,343</u>	<u>58,682</u>
(2,117,951)	(1,090,623)	1,027,328
287,364	287,364	-
2,352,103	2,352,103	-
<u>\$ 521,516</u>	<u>\$ 1,548,844</u>	<u>\$ 1,027,328</u>

CLOVERLEAF LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN RETAINED EARNINGS – PROPRIETARY FUND TYPE
 FOR THE PERIOD JUNE 30, 2001

	<u>Enterprise</u>
Operating revenues	
Tuition and fees	\$ 588
Extracurricular	10,699
Miscellaneous	320,426
Charges for services	615,943
Total operating revenues	<u>947,656</u>
Operating expenses	
Salaries and wages	531,390
Fringe benefits	128,835
Contractual services	514,114
Materials and supplies	85,790
Other expenses	4,649
Depreciation	5,443
Total operating expenses	<u>1,270,221</u>
Operating (loss)	<u>(322,565)</u>
Non-operating revenues (expenses)	
Intergovernmental	242,047
Interest	643
(Loss) on disposal of assets	(167)
Total non-operating revenues (expenses)	<u>242,523</u>
(Loss) before operating transfers	<u>(80,042)</u>
Operating transfers-in	<u>81,960</u>
Net income	1,918
Retained earnings at beginning of year	<u>88,920</u>
Retained earnings at end of year	<u>\$ 90,838</u>

The accompanying notes are an integral part of this statement.

CLOVERLEAF LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE
 FOR THE PERIOD JUNE 30, 2001

	<u>Enterprise</u>
Cash flows from operating activities:	
Operating (loss)	<u>\$ (322,565)</u>
Adjustments to reconcile operating (loss) to net cash (used in) operating activities	
Depreciation	5,443
Donated commodities, used	47,720
Changes in net assets (increase) decrease and liabilities increase (decrease):	
Due from other funds	245
Inventories and supplies	1,130
Accounts and contracts payable	13,513
Accrued wages and benefits	1,095
Intergovernmental payable	(3,136)
Compensated absences	3,475
Total adjustments	<u>69,485</u>
Net cash (used in) operating activities	<u>(253,080)</u>
Cash flows from non-capital financing activities:	
Intergovernmental revenue	193,251
Operating transfers-in	81,960
Advances out	(40,000)
Net cash flows provided by non-capital financing activities	<u>235,211</u>
Cash flows from capital financing activities:	
Acquisition of fixed assets	(1,048)
Net cash (used in) capital financing activities	<u>(1,048)</u>
Cash flows from investing activities:	
Interest revenue	643
Net cash flow provided by investing activities	<u>643</u>
Net (decrease) in cash and equivalents	(18,274)
Equity in pooled cash and equivalents, beginning of year	<u>97,746</u>
Equity in pooled cash and equivalents, end of year	<u><u>\$ 79,472</u></u>
Non-cash transaction	
Disposal of fixed asset, net book value	<u><u>\$ 167</u></u>

The accompanying notes are an integral part of this statement.

CLOVERLEAF LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Cloverleaf Local School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2000 was 3,546. The District employs 238 certificated and 176 non-certificated employees.

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

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

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

Lake Erie Educational Computer Association - The Cloverleaf Local 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 District's participation is disclosed in Note 21 to the financial statements.

Ohio Schools Council of Governments - The Ohio Schools Council promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The District's participation is disclosed in Note 21 to the financial statements.

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

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

CLOVERLEAF LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

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

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be approximately sixty days. Property taxes, grants and interest are susceptible to accrual. The amount of property taxes available for advance at June 30, 2001 is considered to be available to finance current period obligations and is therefore subject to accrual. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations and accordingly, property taxes receivable is reflected as deferred revenue until available.

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

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

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

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

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

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION (continued)

Proprietary Fund Type

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

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

Fiduciary Fund Types

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

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

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

Account Groups

The District maintains two account groups as described below:

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

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

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. DEPOSITS AND INVESTMENTS

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "pooled cash and equivalents" on the combined balance sheet. During the year, investments were limited to overnight repurchase agreements. Nonparticipating investment contracts such as overnight repurchase agreements are reported at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the year amounted to \$ 212,203, which includes \$ 63,854 assigned from other District funds. For purposes of the combined statement of cash flows, and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents.

C. RESTRICTED CASH

Restricted cash in the general fund represents cash and equivalents set aside to establish a budget stabilization reserve. This reserve may be used by the District to offset any budget deficit the District may experience in future years. A fund balance reserve also has been established.

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

D. RECEIVABLES

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

E. INVENTORIES AND SUPPLIES

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

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

F. FIXED ASSETS AND DEPRECIATION

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

CLOVERLEAF LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. FIXED ASSETS AND DEPRECIATION (continued)

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

G. LONG-TERM LIABILITIES

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

H. REVENUES – EXCHANGE AND NON-EXCHANGE TRANSATIONS

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

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

I. UNPAID COMPENSATED ABSENCES

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

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

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

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

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. SHORT-TERM INTERFUND ASSETS/LIABILITIES

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

K. INTERFUND TRANSACTIONS

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

L. FUND EQUITY

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

M. TOTAL COLUMNS

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

N. USE OF ESTIMATES

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

NOTE 3 CHANGE IN ACCOUNTING PRINCIPLES

For the year 2001, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions." This change had the following effect on fund balances as previously stated as of June 30, 2000 in the special revenue funds:

Fund balances as previously stated as of June 30, 2000	\$ 199,770
Restatement	63,588
Fund balances as restated as of July 1, 2000	<u>\$ 263,358</u>

CLOVERLEAF LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 4 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY PROCESS

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

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

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types" do not include July 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

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

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 4 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Appropriations (continued)

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

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Encumbrances

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

Budgetary Reporting

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

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

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

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 4 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Budgetary Reporting (continued)

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

Excess (deficiency) of revenues over
expenditures and other financing sources (uses) -
reconciliation of budget basis to GAAP basis

	General	Special Revenue	Debt Service	Capital Projects
Budget basis	\$ (839,573)	\$ (53,239)	\$ (38,420)	\$ (159,391)
Adjustments, increase (decrease)				
Revenue accruals	(502,370)	(144,960)	(272,230)	310,035
Expenditure accruals	916,932	187,933	272,230	336,915
GAAP basis, as reported	<u>\$ (425,011)</u>	<u>\$ (10,266)</u>	<u>\$ (38,420)</u>	<u>\$ 487,559</u>

B. FUND EQUITY DEFICITS

Apparent in the general purpose financial statements is a deficit fund equity balance of \$ 423,347 in the general fund. Not apparent in the general purpose financial statements are deficit fund equity balances of \$ 5,677 in the Title I Fund and \$ 2,231 in the Title VI Fund, special revenue funds. These deficit fund equity balances at year-end resulted from reflecting expenditures in accordance with the modified accrual basis, which is substantially larger than the amounts recognized on the budget basis. The District, in accordance with its budget basis, will appropriate such expenditures and expenses from resources of the subsequent year.

NOTE 5 DEPOSITS AND INVESTMENTS

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

A. LEGAL REQUIREMENTS

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

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

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 5 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits may be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts. Interim monies may be invested in the following securities:

- 1.) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2.) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3.) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4.) Bonds and other obligations of the State of Ohio;
- 5.) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 (STAROhio); and,
- 7.) Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 5 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. CASH ON HAND

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

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

C. DEPOSITS

At year-end, the carrying amount of the Cloverleaf Local School District's deposits was \$ 2,371,871 and the bank balance was \$ 2,671,761. Of this balance \$ 200,000 was covered by federal depository insurance and \$ 2,471,761 by collateral held by third party trustees in accordance with the Ohio Revised Code, in collateral pools securing all public funds on deposit with no specifications for whom the funds are held, which is considered uncollateralized and uninsured as defined by the GASB Statement No. 3. Although all State statutory requirements for the deposits of money had been followed, non-compliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

D. INVESTMENTS

The District's investments are categorized below to give an indication of the level of credit risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent but not in the District's name.

	Category			Fair Value
	1	2	3	
Overnight Repurchase Agreements	\$ -	\$ -	\$ 580,000	\$ 580,000

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 5 DEPOSITS AND INVESTMENTS (continued)

D. INVESTMENTS (continued)

The classification of cash and equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9 "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classification of cash and equivalents on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Equivalents / Deposits	Investments
GASB Statement No. 9	\$ 2,951,921	\$ -
Investments of the Cash Management Pool:		
Overnight Repurchase Agreements	(580,000)	580,000
Cash on hand	(50)	-
GASB Statement No. 3	<u>\$ 2,371,871</u>	<u>\$ 580,000</u>

NOTE 6 FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. GENERAL FIXED ASSETS ACCOUNT GROUP

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

	Balance July 1, 2000	Additions	Disposals	Balance June 30, 2001
Land	\$ 1,165,137	\$ 147,351	\$ -	\$ 1,312,488
Buildings and improvements	8,778,276	-	-	8,778,276
Equipment and furniture	3,644,114	255,068	119,092	3,780,090
Vehicles	1,401,963	165,428	188,380	1,379,011
Books	1,691,829	133,727	-	1,825,556
	<u>\$ 16,681,319</u>	<u>\$ 701,574</u>	<u>\$ 307,472</u>	<u>\$ 17,075,421</u>

Balances as previously stated as of June 30, 2000 have been restated due to errors in the prior period as follows: vehicles increased by \$ 145,839, land increased by \$ 110,410 and total general fixed assets increased by \$ 256,249.

B. PROPRIETARY FUND TYPE FIXED ASSETS

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

	Balance June 30, 2001
Enterprise	
Equipment and furniture	\$ 270,820
Less accumulated depreciation	188,870
Net fixed assets	<u>\$ 81,950</u>

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 7 DEFERRED REVENUE

Deferred revenue at year-end, consisted of:

	Balance June 30, 2001
Property taxes	\$ 9,462,350
Federal commodities, unused	10,584
Federal grants	36,949
	<u>\$ 9,509,883</u>

NOTE 8 INSTALLMENT PLAN PAYABLE

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

	Outstanding June 30, 1999	Additions	Deductions	Outstanding June 30, 2000
Water line tie-in (1997) 6.12% through 2007	<u>\$ 127,339</u>	<u>\$ -</u>	<u>\$ 15,720</u>	<u>\$ 111,619</u>

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

Year ending June 30,	Principal	Interest	Total
2002	\$ 16,709	\$ 6,368	\$ 23,077
2003	17,761	5,316	23,077
2004	18,879	4,198	23,077
2005	20,067	3,009	23,076
2006	21,330	1,746	23,076
2007	16,873	434	17,307
	<u>\$ 111,619</u>	<u>\$ 21,071</u>	<u>\$ 132,690</u>

NOTE 9 NOTES PAYABLE

Notes payable activity during the year-end consisted of:

	Outstanding June 30, 2000	Additions	Deductions	Outstanding June 30, 2001
Tax anticipation, (1999) 3.55% through 2001	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ -</u>

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 10 GENERAL LONG-TERM DEBT

Changes in general long-term debt are as follows:

	Outstanding June 30, 2000	Additions	Deductions	Outstanding June 30, 2001
Intergovernmental payable	\$ 232,026	\$ 205,295	\$ 232,026	\$ 205,295
Installment plan payable	127,339	-	15,720	111,619
Capital leases	362,470	-	89,683	272,787
Compensated absences	1,656,622	252,036	183,190	1,725,468
	<u>\$ 2,378,457</u>	<u>\$ 457,331</u>	<u>\$ 520,619</u>	<u>\$ 2,315,169</u>

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

Balance as previously stated as of June 30, 2000 has been restated due to an error in the prior period for capital leases by an increase of \$ 110, 410.

NOTE 11 CAPITAL LEASES

The Cloverleaf Local School District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the general fixed asset account group and the general long-term debt account group, respectively. The assets under capital leases totaled \$ 513,322 at June 30, 2001. The leases are in effect through fiscal year 2006.

The following is a schedule of future minimum lease payments under capital leases together with the net present value of the minimum lease payments as of June 30, 2001.

	Year ending June 30,	Amount
	2002	\$ 104,315
	2003	96,834
	2004	64,081
	2005	21,720
	2006	1,810
Total minimum lease payments		288,760
Less amount representing interest		(15,973)
Net present value of minimum lease payments		<u>\$ 272,787</u>

CLOVERLEAF LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 12 OPERATING LEASES

The District is obligated under a lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the District's account groups. Total lease expenditures for the year ended June 30, 2001 were \$ 4,165. Future minimum rental payments required under this lease as of June 30, 2001 are as follows:

Year ended June 30,	Amount
2002	\$ 49,984
2003	49,984
2004	49,984
2005	49,984
2006	49,984
2007-2008	95,768
	<u>\$345,688</u>

NOTE 13 PROPERTY TAXES

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

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

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

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

CLOVERLEAF LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 13 PROPERTY TAXES (continued)

The tax applied to real property collected in 2000 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$ 55.80 per \$ 1,000 of valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$ 27.80 per \$ 1,000 of assessed valuation for real property classified as residential/agricultural and \$ 34.69 per \$ 1,000 of assessed valuation for all other real property. The tax rate applied to tangible personal property for the current year ended June 30, 2001, was \$ 55.80 per \$ 1,000 of valuation. Accrued property taxes receivable represents delinquent taxes outstanding and real property , personal property and public utility taxes which became measurable at June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivables therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2001 is recognized as revenue. The amount available to the District as an advance at June 30, 2001 was \$479,687 and is reflected as a reservation of fund balance for future appropriations.

The property valuation consisted of:

Real Property - 2000	
Residential / Agricultural	\$ 274,428,270
Commercial / Industrial	43,973,580
Public Utilities	319,120
Mineral	419,590
Tangible Personal Property - 2001	
General	21,968,505
Public Utilities	15,272,740
	<u>\$ 356,381,805</u>

NOTE 14 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at June 30, 2001 is as follows:

Fund	Receivable	Payable
General	\$ 205	\$ -
District Managed Activities (Special Revenue)	-	205
Totals	<u>\$ 205</u>	<u>\$ 205</u>

NOTE 15 RISK MANAGEMENT

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

CLOVERLEAF LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 15 RISK MANAGEMENT (continued)

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

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

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

The District participates in the Ohio School Board Association Workers' Compensation Group Rating System (GRP), an insurance purchase pool. The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

The District has contracted with Stark County Schools Insurance Consortium (SCSIC) to provide medical/surgical, dental, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The SCSIC is a shared risk pool comprised of fourteen school districts that provide public education within Stark County. The districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$ 200,000 per participant and an aggregate stop-loss provision of \$ 42,383,442.

Premium contributions are determined annually based on the claims experience of the individual district. Premiums can be increased or decreased by up to 20% of the prior year's contribution. Member districts may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating Districts' claims would be paid without regard to their individual account balances. The SCSIC Board of Directors has authority to return monies to an exiting District subsequent to the settlement of all claims and expenses.

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

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 16 PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Cloverleaf Local School District contributes to the School Employees Retirement System of Ohio, a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established and may be amended by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available stand alone financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio, 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent, which is an actuarially determined rate by SERS's Retirement Board. The contributions requirements of the plan members and employees are established and may be amended up to the statutory maximum amounts. The District's contributions for pension obligations to SERS for the years ended June 30, 2001, 2000, and 1999 were \$169,295, \$ 223,753, and \$ 237,731, respectively; 36.7 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$ 309,288 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and general long-term debt account group.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established and may be amended by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Cloverleaf Local School District's contributions for pension obligations to STRS for the years ended June 30, 2001, 2000, and 1999 were \$ 1,078,851, \$ 1,644,836 and \$ 608,003 respectively. The District paid 100% of the required contributions for the fiscal years ended 2000 and 1999, and 82.9% of the required contribution for the fiscal year ended 2001. \$ 271,962 representing the unpaid contribution for the fiscal year 2001 is recorded as a liability within the respective funds.

CLOVERLEAF LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 17 POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients.

Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2000 (the latest information available) the allocation rate was 8.45%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$ 12,400. The surcharge rate, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 were \$ 140,696,340 and the target level was \$ 211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$ 252.3 million.

The number of participants statewide currently receiving health care benefits is approximately 50,000. The portion of the District's contributions that were used to fund postemployment benefits was \$ 319,055 during the 2000 fiscal year.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The State Teachers Retirement System provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

Benefits are financed on a pay-as-you-go basis. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3,419 billion at June 30, 2000 (the latest information available). The Health Care Reserve Fund allocation for the year ended June 30, 2001 and thereafter will be 4.5% of covered payroll. The portion of the District's contributions that were used to fund postemployment benefits was \$ 510,968 during the 2001 fiscal year. For the year ended June 30, 2000, the net health care costs paid by STRS Ohio were \$ 283,137,000. There were 99,011 eligible benefit recipients statewide at June 30, 2000.

CLOVERLEAF LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 18 CONTINGENCIES

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

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

NOTE 19 SEGMENT INFORMATION - ENTERPRISE FUNDS

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

	Food Service	Uniform School Supplies	Community Education	Total
Operating revenues	\$ 615,943	\$ 8,061	\$ 323,652	\$ 947,656
Operating expenses				
Salaries and wages	277,414	-	253,976	531,390
Fringe benefits	109,110	-	19,725	128,835
Contractual services	483,225	-	30,889	514,114
Materials and supplies	50,419	8,944	26,427	85,790
Other expenses	1,563	-	3,086	4,649
Depreciation	2,913	-	2,530	5,443
Total operating expenses	924,644	8,944	336,633	1,270,221
Operating (loss)	(308,701)	(883)	(12,981)	(322,565)
Net non-operating revenues (expenses)	242,523	-	-	242,523
Operating transfers-in	81,960	-	-	81,960
Net income (loss)	\$ 15,782	\$ (883)	\$ (12,981)	\$ 1,918
Other information				
Net working capital	\$ (20,630)	\$ 10,353	\$ 39,680	\$ 29,403
Fixed asset, additions	\$ -	\$ -	\$ 1,048	\$ 1,048
Total assets	\$ 134,272	\$ 10,353	\$ 72,895	\$ 217,520
Total equity	\$ 18,348	\$ 10,353	\$ 62,137	\$ 90,838

CLOVERLEAF LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 20 RETIREMENT INCENTIVE PLAN

The Cloverleaf Local Board of Education has adopted a Retirement Incentive Program for all STRS employees. A bargaining unit member who first becomes eligible for retirement through STRS (under the provisions of section 3307.38 of the Ohio Revised Code) by the end of the 2000-2001 school year can receive a one-time payment of \$ 20,000. Written notice was required to be submitted to the OEA Medina Uniserv office by April 1, 2001 of the employee's intent to retire at the end of the 2000-2001 school year and the employee must actually retire at the end of the school year. At June 30, 2001, compensated absences include \$ 40,000 of early retirement incentives recorded in the general fund.

NOTE 21 JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATION 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, 2001, the District paid approximately \$ 36,121 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. Ohio Schools Council is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Ohio Schools Council located at 6376 Mill Road, Broadview Heights, Ohio, 44147. During the year ended June 30, 2001, the District paid approximately \$ 136,478 to Ohio Schools Council.

CLOVERLEAF LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 22 SCHOOL FUNDING DECISION

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 19, 2001, the Ohio General Assembly is still analyzing the impact of this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the court granted this motion for reconsideration. The court may re-examine and redetermine any issue upon such consideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and reconsideration will have on its future State funding and on its financial operations.

NOTE 23 CONTRACTUAL COMMITMENTS

As of June 30, 2001 the District had contractual commitments totaling \$ 579,632, of this \$ 308,830 is for construction projects and \$ 270,802 is committed to purchase new buses.

NOTE 24 UTILITY COMPANY PROPERTY DEVALUATION

Currently public utility personal property is assessed at 88% of value. Privately owned personal property is assessed at 25% of value. This disparity occurs because public utilities in Ohio are afforded monopoly power over their areas of service. There is a proposed change to deregulate the electric utility industry in Ohio. This change would allow electric utility personal property to be valued at 25% of value, meaning a substantial reduction in tax dollars for all public entities. If this occurs it is expected that all public utilities would follow suit. As of the date of these financial statements, the District is unable to determine what effect if any this proposed change would have on its property taxes funding and on its operations if it is approved by the Ohio Legislature.

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 25 STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During fiscal year ended June 30, 2001, the reserve activity (cash basis) was as follows:

	Textbook	Capital Maintenance	Budget Stabilization
Balance, July 1, 2000	\$ (144,563)	\$ -	\$ 415,480
Required set aside	483,324	483,324	-
Qualifying expenditures	(613,137)	(1,103,460)	-
Balance, June 30, 2001	<u>\$ (274,376)</u>	<u>\$ (620,136)</u>	<u>\$ 415,480</u>
Balance carried forward to reduce future set aside requirements	<u>\$ (274,376)</u>		

Since the qualifying expenditures for the capital maintenance reserve exceeded the fiscal year 2001 requirements, no amount will be carried forward to June 30, 2001. The District may use the negative amount in the textbook reserve to reduce set aside requirements of future years. Amounts remaining at fiscal year end have been set aside to satisfy statutory requirements and are represented by restricted cash and equivalents on the combined balance sheet. Corresponding amounts are reported as reserves of fund balances.

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

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

We have audited the general purpose financial statements of the Cloverleaf Local School District (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated November 19, 2001. As discussed in Note 3 to the general purpose financial statements, the District adopted Governmental Accounting Standards Board Statement No. 33 as of and for the year ended June 30, 2001. 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.

Compliance

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

Internal Control Over Financial Reporting

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

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

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

A handwritten signature in black ink, appearing to read 'G. B. Fink', with a stylized, cursive script.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

November 19, 2001

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

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

Compliance

We have audited the compliance of the Cloverleaf Local School District (the 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, 2001. The 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 the District's management. Our responsibility is to express an opinion on the 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 the 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 the District's compliance with those requirements.

In our opinion, the 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, 2001.

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

Internal Control Over Compliance

The management of the 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 the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

November 19, 2001

Cloverleaf Local School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Food Distribution	10.550	----	\$51,619	\$46,538
School Breakfast Program	10.553	----	25,242	25,242
National School Lunch Program	10.555	----	158,767	158,767
Total U.S. Department of Agriculture - Child Nutrition Cluster			235,628	230,547
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Eisenhower Professional Development State Grants	84.281	048488-MS-S1-2001	12,433	7,816
Eisenhower Professional Development State Grants	84.281	048488-MS-S1-2000	9,169	13,099
Total Eisenhower			21,602	20,915
Innovative Education Program Strategies (ESEA Title VI)	84.298	048488-C2-S1-2001	14,331	14,082
Innovative Education Program Strategies (ESEA Title VI)	84.298	048488-C2-S1-2000	0	2,849
Innovative Education Program Strategies (ESEA Title VI)	84.298	048488-C2-S1-1999C	0	295
Total Innovative Education Program Strategies			14,331	17,226
Title I Grants to Local Educational Agencies	84.010	048488-C1-S1-2001	276,497	225,868
Title I Grants to Local Educational Agencies	84.010	048488-C1-S1-2000	27,763	74,131
Total Title I			304,260	299,999
Safe and Drug-Free Schools and Communities - State Grants	84.186	048488-DR-S1-2001	15,039	15,039
Safe and Drug-Free Schools and Communities - State Grants	84.186	048488-DR-S1-2000	0	132
Total Safe and Drug-Free Schools			15,039	15,171
Class Size Reduction (Title VI-R)	84.340	048488-CR-S1-2001	43,107	34,339
Class Size Reduction (Title VI-R)	84.340	048488-CR-S1-2000	14,400	19,236
Total Class Size Reduction			57,507	53,575
Special Education Cluster:				
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	048488-6B-SF-2001P	192,072	176,642
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	048488-6B-ST-2000	30,000	52,690
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	048488-6B-SF-2000P	0	33,667
Total Title VI-B Flow-Thru			222,072	262,999
Special Education - Preschool Grants	84.173	048488-PG-S1-2001P	10,917	10,917
Special Education - Preschool Grants	84.173	048488-PG-S1-2000P	0	750
Total Preschool Grants			10,917	11,667
Total Special Education Cluster			232,989	274,666
Goals 2000 - State and Local Educational Systemic Improvement Grants (Continuous Improvement Development Grant)	84.276	048488-G2-S2-1999	0	112
Total U.S. Department of Education			645,728	681,664
Total Federal Assistance			\$881,356	\$912,211

The notes to this Schedule are an integral part of this Schedule.

CLOVERLEAF LOCAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

CLOVERLEAF LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505
FOR THE YEAR ENDED JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of auditor's report issued on the general purpose financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the general purpose financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the general purpose financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the general purpose financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

CLOVERLEAF LOCAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OMB CIRCULAR A-133 §505

FOR THE YEAR ENDED JUNE 30, 2001

(CONTINUED)

(d)(1)(vii)	Major Programs:	Child Nutrition Cluster: Food Distribution, CFDA #10.550; School Breakfast Program, CFDA #10.553; and National School Lunch Program, CFDA #10.555
(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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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OFFICE OF THE AUDITOR**

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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 Bablitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 22, 2002**