



OHIO AUDITOR OF STATE
KEITH FABER

**Kirtland Local School District
Lake County**

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Title
Regular Audit For The Year Ended December 31, 2025
Single Audit For The Year Ended December 31, 2024



Kirtland Local School District

Lake County

Regular Audit

For the Year Ended June 30, 2025

**Kirtland Local School District
Lake County**

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Lake County**

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Independent Auditor's Report

Kirtland Local School District
Lake County
9252 Chillicothe Road
Kirtland, Ohio 44094

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio as of June 30, 2025, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical

responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2025, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement Number 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

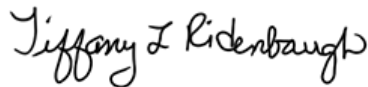
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension and other post-employment benefit liabilities (assets) and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited

procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2026, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

August 17, 2026

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

The discussion and analysis of the Kirtland Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2025 are as follows:

- ❑ The School District is committed to meeting the academic needs of our students by providing them with updated instructional materials to compete in a global environment. During fiscal year 2025, the School District continued to provide professional development for staff members as more technology is introduced into the curriculum and classrooms.
- ❑ General revenues accounted for the majority of all revenues, with tax revenues representing the largest share of those revenues. Specific program revenues in the form of charges for services and operating and capital grants contributions and interest accounted for the remainder of all revenues.

Using this Annual Financial Report

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Kirtland Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the School District, the general fund and the construction capital projects fund are major funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform financially during fiscal year 2025?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting, used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

These two statements report the School District's net position and changes in that net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many financial or non-financial factors. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, all of the School District's activities are classified as governmental. The School District's programs and services reported here include instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus upon the School District's most significant funds. The School District's only major governmental fund is the general fund.

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

The School District as a Whole

You may recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net position for 2025 compared to 2024.

Table 1
Net Position
Governmental Activities

	2025	2024	Change
Assets			
Current and Other Assets	\$24,897,499	\$25,007,120	(\$109,621)
Net OPEB Asset	1,114,816	1,168,684	(53,868)
Capital Assets, Net	19,824,410	19,584,288	240,122
Total Assets	<u>\$45,836,725</u>	<u>\$45,760,092</u>	<u>\$76,633</u>

(continued)

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

Table 1
Net Position (continued)
Governmental Activities

	2025	2024	Change
Deferred Outflows of Resources			
Deferred Charge on Refunding	\$75,768	\$90,923	(\$15,155)
Pension	2,797,973	3,076,076	(278,103)
OPEB	466,762	564,991	(98,229)
<i>Total Deferred Outflows of Resources</i>	<u>3,340,503</u>	<u>3,731,990</u>	<u>(391,487)</u>
Liabilities			
Current Liabilities	2,343,524	2,029,455	(314,069)
Long-Term Liabilities:			
Due Within One Year	1,150,984	1,317,565	166,581
Due in More than One Year:			
Net Pension Liability	13,370,358	15,486,582	2,116,224
Net OPEB Liability	416,174	776,360	360,186
Other Amounts Due in More Than One Year	12,814,574	13,180,209	365,635
Total Liabilities	<u>30,095,614</u>	<u>32,790,171</u>	<u>2,694,557</u>
Deferred Inflows of Resources			
Property Taxes	12,015,763	11,919,609	(96,154)
Pension	2,095,295	1,153,362	(941,933)
OPEB	1,631,654	1,796,446	164,792
<i>Total Deferred Inflows of Resources</i>	<u>15,742,712</u>	<u>14,869,417</u>	<u>(873,295)</u>
Net Position			
Net Investment in Capital Assets	8,093,021	7,210,280	882,741
Restricted For:			
Capital Projects	1,277,914	1,627,888	(349,974)
Debt Service	558,525	207,366	351,159
OPEB Plans	1,114,816	1,168,684	(53,868)
Other Purposes	668,893	641,362	27,531
Unrestricted (Deficit)	<u>(8,374,267)</u>	<u>(9,023,086)</u>	<u>648,819</u>
Total Net Position	<u>\$3,338,902</u>	<u>\$1,832,494</u>	<u>\$1,506,408</u>

New Accounting Pronouncement

Table 1 provides a summary of the School District's net position for fiscal year 2025 compared to 2024. For 2025, the School District implemented GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 100, *Accounting Changes and Error Corrections*, does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle.

The implementation of GASB 101 resulted in recognizing additional compensated absences liabilities of \$644,175 in governmental activities at July 1, 2024. These amounts also impacted beginning net position for the cumulative effect of additional compensated absences expense (See Note 3).

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

Governmental Activities

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2025. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Each year, the above referenced changes impact the balance of the net pension/OPEB asset/liability and the related deferred inflows and outflows.

- During fiscal year 2025, the net pension liability and the net OPEB asset/liability decreased for both STRS and SERS. These changes primarily resulted from increased investment earnings.
- The decrease in deferred outflows for pension primarily results from the difference between expected and actual experience amounts recognized in 2025 for STRS, offset by the amortization recognized in the current year for both STRS and SERS.
- The increase in deferred inflows for pension resulted from the difference between projected and actual earnings on investments recognized in the current year offset by the amortization recognized in the current year.
- For STRS, the net difference between projected and actual earnings on investments for OPEB changed from a net deferred outflow to a net deferred inflow as a result of prior year amortization offset by the deferred inflow amount recognized in 2025.
- The decrease in the remaining deferred outflows for OPEB resulted primarily from the amortization of prior year SERS amounts.
- The decrease in deferred inflows for OPEB resulted from the amortization recognized in the current year exceeding the difference between expected and actual experience amounts, change of assumptions amounts, and the difference between projected and actual earnings on investments amounts, recognized in fiscal year 2025.

Kirtland Local School District
Management's Discussion and Analysis
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Net position increased primarily as a result of a decrease in long term liabilities due to a decrease in the net pension liability as well as through the repayment of debt obligations. Capital Asset additions also contributed. The School Districts invested in land and building improvements, new equipment and vehicles.

Table 2 shows the changes in net position for fiscal years 2025 compared to 2024.

Table 2
Changes in Position
Governmental Activities

	2025	2024	Change
Revenues			
Program Revenues:			
Charges for Services	\$958,930	\$967,432	(\$8,502)
Operating Grants and Contributions	890,213	1,291,728	(401,515)
Capital Grants, Contributions and Interest	213,183	4,056	209,127
<i>Total Program Revenues</i>	<u>2,062,326</u>	<u>2,263,216</u>	<u>(200,890)</u>
General Revenues:			
Property Taxes	15,163,083	14,442,052	721,031
Grant and Entitlements not Restricted to Specific Programs	3,012,189	2,803,184	209,005
Unrestricted Contributions and Donations	38,495	54,225	(15,730)
Investment Earnings/Interest	570,441	623,585	(53,144)
Miscellaneous	249,613	205,573	44,040
<i>Total General Revenues</i>	<u>19,033,821</u>	<u>18,128,619</u>	<u>905,202</u>
<i>Total Revenues</i>	<u>21,096,147</u>	<u>20,391,835</u>	<u>704,312</u>
Program Expenses			
Instruction	10,881,181	10,411,979	(469,202)
Support Services:			
Pupil	1,144,368	1,219,352	74,984
Instructional Staff	423,432	272,941	(150,491)
Board of Education	279,147	174,829	(104,318)
Administration	892,972	1,089,954	196,982
Fiscal	556,267	520,891	(35,376)
Business	17,802	29,939	12,137
Operation and Maintenance of Plant	1,592,809	1,431,122	(161,687)
Pupil Transportation	1,122,583	1,203,931	81,348
Central	320,813	399,466	78,653
Food Service Operations	236,130	246,972	10,842
Other Non-Instructional Services	45,892	72,611	26,719
Extracurricular Activities	1,042,519	991,425	(51,094)
Interest	389,649	578,339	188,690
<i>Total Program Expenses</i>	<u>18,945,564</u>	<u>18,643,751</u>	<u>(301,813)</u>
Change in Net Position	<u>2,150,583</u>	<u>1,748,084</u>	<u>402,499</u>
<i>Net Position Beginning of Year as Previously Reported</i>	1,832,494	84,410	1,748,084
Change in Accounting Principle	(644,175)	0	(644,175)
Restated Net Position Beginning of Year	<u>1,188,319</u>	<u>84,410</u>	<u>1,103,909</u>
Net Position End of Year	<u>\$3,338,902</u>	<u>\$1,832,494</u>	<u>\$1,506,408</u>

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

New Accounting Pronouncement

Table 2 provides a summary of the School District's change in net position for fiscal year 2025 compared to 2024. The above table also separately reflects the restatement for changes in accounting principles related to the implementation of GASB Statement No. 101, Compensated Absences. GASB Statement No. 100, Accounting Changes and Error Corrections does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle. The 2024 information does not reflect activity related to the additional compensated absences expenses required under GASB 101, Compensated Absences. (See also explanation of new accounting pronouncements provided related to Net Position - Table 1 and explanation provided in Note 3.)

Governmental Activities

Several revenue sources primarily fund the School District's governmental activities. Property tax revenues brought the largest portion of general revenues having generated \$15,163,083 in fiscal year 2025. Grants and entitlements not restricted to specific programs portion of the general revenues is the second largest source of revenues for the School District and includes monies received from the Ohio Department of Education and Workforce, the State Foundation Program and property tax relief such as homestead exemptions and rollbacks provided by House Bill 920. Operating grants and contributions decreased during fiscal year 2025 due to a decrease in grant revenue received. Charges for services decreased due to a decrease in student fees. Capital grants, contributions and interest increased in fiscal year 2025 due to the receipt of the Ohio Career Tech Education Equipment Grant.

Instruction expenses are the largest expense of the School District, comprising of 57.43 percent of total expenses. Operation and maintenance of plant expenses are those expenses concerned with keeping the physical plant open, comfortable and safe for use and keeping the grounds, buildings and equipment in an effective working condition and state of repair. These expenses make up 8.41 percent of expenses for fiscal year 2025.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2025 and 2024. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	2025		2024	
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
Instruction	\$10,881,181	(\$10,228,943)	\$10,411,979	(\$9,634,873)
Support Services:				
Pupil and Instructional Staff	1,567,800	(1,324,867)	1,492,293	(1,468,162)
Board of Education, Administration				
Fiscal and Business	1,746,188	(1,585,282)	1,815,613	(1,652,912)
Operation and Maintenance of Plant	1,592,809	(1,512,596)	1,431,122	(1,155,850)
Pupil Transportation	1,122,583	(1,038,420)	1,203,931	(1,103,005)
Central	320,813	(301,296)	399,466	(393,473)
Food Service Operations	236,130	38,251	246,972	(74,819)
Other Non-Instructional Services	45,892	(45,892)	72,611	(30,868)
Extracurricular Activities	1,042,519	(494,544)	991,425	(288,234)
Interest	389,649	(389,649)	578,339	(578,339)
Total Expenses	<u>\$18,945,564</u>	<u>(\$16,883,238)</u>	<u>\$18,643,751</u>	<u>(\$16,380,535)</u>

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

The School District's Funds

Information regarding the School District's major funds starts on page 15. All governmental funds are accounted for using the modified accrual basis of accounting. The School District's major fund is the general fund. All governmental funds had total revenues of \$21,185,993 and expenditures of \$21,609,009.

The general fund had an decrease in fund balance of \$2,143,268 for fiscal year 2025, primarily due to transfers made during the year to support programs in other funds while current year revenues continued to exceed current year expenditures in fiscal year 2025 as management strives to keep costs within available resources. as well as a decrease in interfund receivable. Revenues increased primarily due to increasing investment income, intergovernmental revenue and property taxes during the fiscal year related to investment outcomes, federal grants received and an increase in assessed values.

General Fund Budgeting Highlights

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

During the course of fiscal year 2025, the School District amended its general fund budget a number of times by the end of the fiscal year. Requests for budget changes are made by the Treasurer to reflect changes in projected revenues. With regard to the general fund, the actual revenues were \$7,673,737 under final budgeted revenues. Final budgeted expenditures were \$18,299,386, while actual expenditures were \$17,481,781. The School District monitors the budget on a monthly basis to keep it in line with current expenditures.

Capital Assets and Debt Administration

Capital Assets

Table 4 details fiscal year 2025 balances compared to the prior fiscal year. More detailed information is presented in Note 11.

Table 4
Capital Assets at June 30
(Net of Depreciation)
Governmental Activities

	2025	2024
Land	\$813,790	\$813,790
Land Improvements	730,377	636,447
Buildings and Improvements	17,168,124	17,175,998
Furniture and Equipment	534,931	472,388
Vehicles	577,188	485,665
Total	<u>\$19,824,410</u>	<u>\$19,584,288</u>

During fiscal year 2025, additions included various School District building improvements, security and extracurricular activities equipment, and two new school buses. This increase is offset by an additional year of annual depreciation on all capital assets other than land.

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

Debt Administration

At June 30, 2025, the School District had \$11,807,157 in bonds and a financed purchases outstanding with \$965,000 due within one year. Table 5 summarizes general obligation bonds outstanding for governmental activities for fiscal years 2025 and 2024.

Table 5
Outstanding Debt at June 30

	<u>2025</u>	<u>2024</u>
2013 School Improvement Refunding Bonds	\$7,819,201	\$8,522,164
2016 School Improvement Refunding Bonds	637,956	756,548
2023 School Improvement Financed Purchase	<u>3,350,000</u>	<u>3,485,000</u>
Total Debt	<u><u>\$11,807,157</u></u>	<u><u>\$12,763,712</u></u>

The School District's overall legal debt margin at June 30, 2025 was \$39,877,039 with an unvoted debt margin of \$523,943. More information regarding long-term debt obligations of the School District is presented in Note 15.

Current Issues

The School District remains dependent upon local revenue to support the high quality educational programs. Currently 76 percent of total operating fund revenue is local property tax revenue. The Board of Education has practiced fiscal prudence and slowed the year over year growth of operating fund expenses, and has thoughtfully overseen the use on operating fund levy proceeds. As a result of State funding policies for public education there is minimal growth in total operating fund revenues. This places great importance in gaining community support for renewing all existing operating levy issues.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ryan Pendleton, Treasurer at Kirtland Local School District, 9252 Chillicothe Road, Kirtland, Ohio, 44094, www.kirtlandschools.org.

Kirtland Local School District*Statement of Net Position**June 30, 2025*

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,786,583
Equity in Pooled Cash and Cash Equivalents with Fiscal Agent	493,611
Accrued Interest Receivable	43,766
Accounts Receivable	29,243
Intergovernmental Receivable	201,090
Prepaid Items	20,975
Property Taxes Receivable	13,322,231
Nondepreciable Capital Assets	813,790
Depreciable Capital Assets, Net	19,010,620
Net OPEB Asset	1,114,816
<i>Total Assets</i>	<u>45,836,725</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	75,768
Pension	2,797,973
OPEB	466,762
<i>Total Deferred Outflows of Resources</i>	<u>3,340,503</u>
Liabilities	
Accounts Payable	221,007
Accrued Wages and Benefits	1,597,062
Intergovernmental Payable	349,049
Accrued Interest Payable	30,495
Matured Compensated Absences Payable	71,621
Accrued Vacation Leave Payable	74,218
Unearned Revenue	72
Long-Term Liabilities:	
Due Within One Year	1,150,984
Due In More Than One Year:	
Net Pension Liability (See Note 22)	13,370,358
Net OPEB Liability (See Note 23)	416,174
Other Amounts Due in More Than One Year	12,814,574
<i>Total Liabilities</i>	<u>30,095,614</u>
Deferred Inflows of Resources	
Property Taxes	12,015,763
Pension	2,095,295
OPEB	1,631,654
<i>Total Deferred Inflows of Resources</i>	<u>15,742,712</u>
Net Position	
Net Investment in Capital Assets	8,093,021
Restricted for:	
Capital Projects	1,277,914
Debt Service	558,525
OPEB Plans	1,114,816
Other Purposes	668,893
Unrestricted (Deficit)	(8,374,267)
<i>Total Net Position</i>	<u>\$3,338,902</u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$8,472,445	\$205,613	\$50,699	\$0	(\$8,216,133)
Special	2,302,442	0	395,909	0	(1,906,533)
Vocational	105,210	0	17	0	(105,193)
Student Intervention Services	1,084	0	0	0	(1,084)
Support Services:					
Pupil	1,144,368	0	31,472	0	(1,112,896)
Instructional Staff	423,432	0	0	211,461	(211,971)
Board of Education	279,147	0	0	0	(279,147)
Administration	892,972	0	0	0	(892,972)
Fiscal	556,267	0	160,906	0	(395,361)
Business	17,802	0	0	0	(17,802)
Operation and Maintenance of Plant	1,592,809	61,065	17,426	1,722	(1,512,596)
Pupil Transportation	1,122,583	0	84,163	0	(1,038,420)
Central	320,813	0	19,517	0	(301,296)
Food Service Operations	236,130	166,256	108,125	0	38,251
Other Non-Instructional Services	45,892	0	0	0	(45,892)
Extracurricular Activities	1,042,519	525,996	21,979	0	(494,544)
Interest	389,649	0	0	0	(389,649)
Totals	\$18,945,564	\$958,930	\$890,213	\$213,183	(16,883,238)
General Revenues					
Property Taxes Levied for:					
General Purposes					13,647,096
Debt Service					931,659
Capital Projects					584,328
Grants and Entitlements not Restricted					
to Specific Programs					3,012,189
Unrestricted Contributions and Donations					38,495
Investment Earnings/Interest					570,441
Miscellaneous					249,613
Total General Revenues					19,033,821
Change in Net Position					2,150,583
<i>Net Position Beginning of Year as Previously Reported</i>					1,832,494
Change in Accounting Principle - See Note 3					(644,175)
<i>Restated Net Position Beginning of Year</i>					1,188,319
<i>Net Position End of Year</i>					\$3,338,902

See accompanying notes to the basic financial statements

Kirtland Local School District

Balance Sheet
Governmental Funds
June 30, 2025

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,433,334	\$2,353,249	\$10,786,583
Restricted Assets:			
Cash and Cash Equivalents			
with Fiscal Agents	0	493,611	493,611
Accrued Interest Receivable	43,766	0	43,766
Accounts Receivable	21,760	7,483	29,243
Intergovernmental Receivable	163,723	37,367	201,090
Interfund Receivable	93,273	0	93,273
Prepaid Items	20,975	0	20,975
Property Taxes Receivable	11,868,875	1,453,356	13,322,231
<i>Total Assets</i>	<u>\$20,645,706</u>	<u>\$4,345,066</u>	<u>\$24,990,772</u>
 Liabilities			
Accounts Payable	\$148,876	\$72,131	\$221,007
Accrued Wages and Benefits	1,580,357	16,705	1,597,062
Interfund Payable	0	93,273	93,273
Intergovernmental Payable	345,485	3,564	349,049
Matured Compensated Absences Payable	71,621	0	71,621
Unearned Revenue	0	72	72
<i>Total Liabilities</i>	<u>2,146,339</u>	<u>185,745</u>	<u>2,332,084</u>
 Deferred Inflows of Resources			
Property Taxes	10,691,477	1,324,286	12,015,763
Unavailable Revenue	212,007	38,470	250,477
<i>Total Deferred Inflows of Resources</i>	<u>10,903,484</u>	<u>1,362,756</u>	<u>12,266,240</u>
 Fund Balances			
Nonspendable	20,975	0	20,975
Restricted	0	2,524,522	2,524,522
Committed	0	384,069	384,069
Assigned	135,619	0	135,619
Unassigned (Deficit)	7,439,289	(112,026)	7,327,263
<i>Total Fund Balances</i>	<u>7,595,883</u>	<u>2,796,565</u>	<u>10,392,448</u>
 <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$20,645,706</u>	<u>\$4,345,066</u>	<u>\$24,990,772</u>

See accompanying notes to the basic financial statements

Kirtland Local School District
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2025*

Total Governmental Fund Balances		\$10,392,448
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		19,824,410
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.		
Delinquent Property Taxes	112,943	
Intergovernmental	88,778	
Tuition and Fees	48,756	
Total		250,477
Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.		75,768
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(8,457,157)	
School Improvement Finance	(3,350,000)	
Compensated Absences Payable	(2,158,401)	
Total		(13,965,558)
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(30,495)
Accrued vacation leave payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.		(74,218)
The net pension liability and net OPEB asset/liability is not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in the governmental funds.		
Deferred Outflows - Pension	2,797,973	
Deferred Inflows - Pension	(2,095,295)	
Net Pension Liability	(13,370,358)	
Net OPEB Asset	1,114,816	
Deferred Outflows - OPEB	466,762	
Deferred Inflows - OPEB	(1,631,654)	
Net OPEB Liability	(416,174)	
Total		(13,133,930)
<i>Net Position of Governmental Activities</i>		<u><u>\$3,338,902</u></u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2025

	General	(Formerly Major) Construction	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$13,660,304		\$1,517,662	\$15,177,966
Intergovernmental	3,070,894		1,041,807	4,112,701
Investment Earnings/Interest	561,460		10,703	572,163
Tuition and Fees	171,982		36,616	208,598
Extracurricular Activities	141,987		384,009	525,996
Contributions and Donations	38,495		73,140	111,635
Charges for Services	0		226,256	226,256
Rentals	1,065		0	1,065
Miscellaneous	248,378		1,235	249,613
<i>Total Revenues</i>	<u>17,894,565</u>		<u>3,291,428</u>	<u>21,185,993</u>
Expenditures				
Current:				
Instruction:				
Regular	8,591,649		65,825	8,657,474
Special	1,998,931		402,635	2,401,566
Vocational	105,210		0	105,210
Student Intervention Services	1,084		0	1,084
Support Services:				
Pupil	1,219,356		46,395	1,265,751
Instructional Staff	236,815		223,646	460,461
Board of Education	273,425		0	273,425
Administration	990,708		0	990,708
Fiscal	565,443		16,394	581,837
Business	17,802		0	17,802
Operation and Maintenance of Plant	1,582,185		159,734	1,741,919
Pupil Transportation	1,292,620		118,630	1,411,250
Central	308,389		20,842	329,231
Food Service Operations	0		234,553	234,553
Other Non-Instructional Services	45,892		0	45,892
Extracurricular Activities	539,119		547,907	1,087,026
Capital Outlay	0		671,298	671,298
Debt Service:				
Principal Retirement	0		582,374	582,374
Interest	0		377,522	377,522
Capital Appreciation Bonds Interest	0		372,626	372,626
<i>Total Expenditures</i>	<u>17,768,628</u>		<u>3,840,381</u>	<u>21,609,009</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>125,937</u>		<u>(548,953)</u>	<u>(423,016)</u>
Other Financing Sources (Uses)				
Transfers In	0		2,962,964	2,962,964
Transfers Out	(2,269,205)		(693,759)	(2,962,964)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,269,205)</u>		<u>2,269,205</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(2,143,268)</u>		<u>1,720,252</u>	<u>(423,016)</u>
<i>Fund Balances Beginning of Year as Previous Reported</i>	9,739,151	(1,220,165)	2,296,478	10,815,464
Change within Report Entity - See Note 3				
Major Fund to Nonmajor Fund Adjustment				
Construction	0	1,220,165	(1,220,165)	0
<i>Adjusted Fund Balances Beginning of Year</i>	<u>9,739,151</u>	<u>-</u>	<u>1,076,313</u>	<u>10,815,464</u>
<i>Fund Balances End of Year</i>	<u>\$7,595,883</u>	<u>\$0</u>	<u>\$2,796,565</u>	<u>\$10,392,448</u>

See accompanying notes to the basic financial statements

Kirtland Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2025*

Net Change in Fund Balances - Total Governmental Funds	(\$423,016)
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*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	1,121,421	
Depreciation	(881,299)	
Total		240,122

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

Delinquent Property Taxes	(14,883)	
Intergovernmental	(71,978)	
Tuition and Fees	(2,985)	
Total		(89,846)

In the statement of activities, interest is accrued on outstanding bonds, and the bond premium, accretion and deferred accounting loss are amortized over the terms of the bonds whereas in governmental funds the expenditure is reported when bonds are issued.

Accrued Interest	1,473	
Accretion on Capital Appreciation Bonds	(73,845)	
Amortization of Accounting Loss	(15,155)	
Amortization of Bond Premium	75,400	
Total		(12,127)

Repayment of bond principal as well as capital appreciation bond accretion are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	955,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	219,836	
Accrued Vacation Leave Payable	(8,455)	
Total		211,381

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

Pension	1,454,477	
OPEB	29,843	
Total		1,484,320

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension expense in the statement of activities.

Pension	(558,289)	
OPEB	343,038	
Total		(215,251)

<i>Change in Net Position of Governmental Activities</i>	<u><u>\$2,150,583</u></u>
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See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Property Taxes	\$13,258,992	\$13,258,990	\$13,730,331	\$471,341
Intergovernmental	3,016,434	9,212,167	3,063,047	(6,149,120)
Interest	535,648	1,635,866	537,643	(1,098,223)
Tuition and Fees	102,771	313,863	103,154	(210,709)
Extracurricular Activities	141,460	432,018	141,987	(290,031)
Contributions and Donations	38,352	117,127	38,495	(78,632)
Rentals	1,061	3,240	1,065	(2,175)
Miscellaneous	185,220	565,659	249,471	(316,188)
<i>Total Revenues</i>	<u>17,279,938</u>	<u>25,538,930</u>	<u>17,865,193</u>	<u>(7,673,737)</u>
Expenditures				
Current:				
Instruction:				
Regular	8,766,150	8,778,646	8,262,753	515,893
Special	2,092,831	2,095,815	1,981,135	114,680
Vocational	110,127	110,284	105,210	5,074
Student Intervention Services	1,135	1,136	1,084	52
Support Services:				
Pupil	1,222,416	1,224,158	1,167,835	56,323
Instructional Staff	260,139	260,510	243,228	17,282
Board of Education	288,019	288,429	275,159	13,270
Administration	1,074,496	1,076,027	1,026,520	49,507
Fiscal	599,530	600,384	572,761	27,623
Business	17,972	17,998	17,170	828
Operation and Maintenance of Plant	1,630,844	1,633,168	1,600,663	32,505
Pupil Transportation	1,263,742	1,265,543	1,270,270	(4,727)
Central	306,663	307,101	347,260	(40,159)
Other Non-Instructional Services	48,037	48,105	45,892	2,213
Extracurricular Activities	591,240	592,082	564,841	27,241
<i>Total Expenditures</i>	<u>18,273,341</u>	<u>18,299,386</u>	<u>17,481,781</u>	<u>817,605</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(993,403)</u>	<u>7,239,544</u>	<u>383,412</u>	<u>(6,856,132)</u>
Other Financing Sources (Uses)				
Advances In	0	0	10,000	10,000
Transfers Out	0	(1,959,205)	(1,959,205)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(1,959,205)</u>	<u>(1,949,205)</u>	<u>10,000</u>
<i>Net Change in Fund Balance</i>	<u>(993,403)</u>	<u>5,280,339</u>	<u>(1,565,793)</u>	<u>(6,846,132)</u>
<i>Fund Balance Beginning of Year</i>	<u>9,603,795</u>	<u>9,603,795</u>	<u>9,603,795</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>143,205</u>	<u>143,205</u>	<u>143,205</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$8,753,597</u></u>	<u><u>\$15,027,339</u></u>	<u><u>\$8,181,207</u></u>	<u><u>(\$6,846,132)</u></u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 1 – Description of the School District and Reporting Entity

Kirtland Local School District (the “School District”) is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1944 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 25 square miles. It is located mostly in Lake County, partially in Geauga County, and includes all of the territory of the City of Kirtland, and portions of Waite Hill Village, Kirtland Hills Village, Chardon Township and the City of Willoughby. It is staffed by 47 non-certified employees, 84 certified full-time teaching personnel, and 9 administrative employees who provide services to 1,067 students and other community members. The School District currently operates three school buildings, an administrative building, and a bus garage.

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

Non-public Schools – Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District as the School District has administrative involvement related to this funding.

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

The School District is associated with three jointly governed organizations, a claims servicing pool, a related organization and an insurance purchasing pool. These organizations are the Northeast Ohio Network for Education and Technology, Auburn Career Center, the Ohio Schools Council, the Health Care Benefits Program of Lake County Schools Council, the Kirtland Public Library and the Ohio School Boards’ Workers’ Compensation Group Retro-Rating Program which are presented in Notes 17, 18, 19 and 20 to the basic financial statements.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 2 – Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the School District's accounting policies are described as follows.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District however has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is restricted to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The School District has no proprietary or fiduciary funds.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the School District's major governmental fund:

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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

The other governmental funds of the School District account for grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end. Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 9). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, grants, investment earnings/interest and tuition and fees.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for the deferred charges on refundings, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 22 and 23.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension and OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2025, but which were levied to finance fiscal year 2026 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental and tuition and fees revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 22 and 23)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as inventory held for resale.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Pensions/Other Postemployment Benefits (OPEB)

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

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Budgetary Data

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level for all School District funds. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statement reflect the amounts in the original and final amended certificate in effect when the original and final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary statement reflect the final appropriations passed by the Board during the year.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

The School District utilizes a financial institution to service various stadium and high school renovation payments as prescribed by the agreement when they come due. The balances in these accounts are presented on the statement of net position as "Cash and Cash Equivalents with Fiscal Agents."

During fiscal year 2025, investments were limited to commercial paper, State Treasury Asset Reserve of Ohio (STAR Ohio), US treasury note, federal home loan bank notes, first American treasury obligations fund, federal farm credit bank notes, federal home loan mortgage corporation notes and negotiable certificates of deposit.

Investments, except for commercial paper and STAR Ohio, are reported at fair value which is based on quoted market prices. The School District's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For fiscal year 2025, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest Earnings/Interest revenue credited to the general fund during fiscal year 2025 amounted to \$561,460, which includes \$133,698 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Interfund Balances

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

Internal Activity

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred charge on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are receipted in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Capital Assets

All capital assets of the School District are classified as general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	25 - 50 years
Furniture and Equipment	5 - 15 years
Vehicles	8 years

Compensated Absences

For the School District, compensated absences includes leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. The School District does not offer noncash settlements. The School District uses a first-in first-out flow assumption for compensated absences.

Liabilities should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates and is allowed to be carried over to subsequent years, and the leave is more likely than not to be used for time off or otherwise paid in cash. For the School District, this leave includes sick and vacation time. However, the School District also has certain compensated absences that are dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees. A liability for these types of leave is recognized when the leave commences. For the School District this type of leave includes bereavement leave, military leave, personal leave, on-the-job injury leave, and court leave. Holiday leave taken on a specific date, not at the discretion of the employee is recognized as a liability when used. The liability for compensated absences includes salary-related payments, where applicable.

The School District records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the School District's policy limits the accrual of vacation time to the amount accrued in one year, the outstanding liability is recorded as "accrued vacation leave payable" on the statement of net position rather than as a long-term liability.

Liabilities for compensated absences are recognized in financial statements prepared using the economic resources measurement focus for leave that has not been used and leave that has been used but not yet paid or settled.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

Kirtland Local School District
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For the Fiscal Year Ended June 30, 2025

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position for OPEB plans represent the corresponding restricted asset amounts held in trust by the OPEB plan for future benefits. Net position restricted for other purposes include resources restricted for athletic programs, food operations, and miscellaneous state and federal grant programs. The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education

Kirtland Local School District
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For the Fiscal Year Ended June 30, 2025

or a School District official delegated that authority by resolution or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance for uniform school supplies and instructional services.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Unearned Revenue

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. The School District recognizes unearned revenue for grants received before eligibility requirements have been met.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the construction capital projects fund represent money set aside for the renovation of the high school and stadium.

Estimates

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

Note 3 – Changes within the Financial Reporting Entity, Change in Accounting Principles and Restatement of Fund Balances and Net Position

Changes within the Financial Reporting Entity

For fiscal year 2025, the construction capital projects fund presentation was adjusted from major to nonmajor due to no longer meeting the quantitative threshold for a major fund. This change is reflected on the following table.

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Change in Accounting Principles

For fiscal year 2025, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*.

GASB 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs such an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. For the School District, GASB Statement No. 101 increased the compensated absences liability and the cumulative effects of compensated absence related expense decreased beginning net position. The School District's financial statements report compensated absences by identifying accrued vacation leave payable separately from the remainder of the compensated absences liability. The effects of implementing the GASB pronouncement is shown on the table below.

GASB 102 will provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. GASB 102 requirements apply only to note disclosure and do not have any effect on beginning net position/fund balance. The School District evaluated their concentrations and constraints identifying a constraint due to limitation on raising property tax revenue (See Note 9).

Restatement of Fund Balance and Net Position

The following table summarizes the impact of the changes within the reporting entity and accounting changes referenced above on beginning fund balance and net position:

		the Financial Reporting Entity	Change in Accounting Principles	
	6/30/2024 As Previously Reported	Major Fund to Nonmajor Fund	GASB 101	6/30/2024 As Restated/ Adjusted
Government-Wide				
Governmental Activities	\$1,832,494	\$0	(\$644,175)	\$1,188,319
Governmental Funds				
Major Funds:				
General	\$9,739,151	\$0	\$0	\$9,739,151
Construction	(1,220,165)	1,220,165	0	0
Other Governmental Funds	2,296,478	(1,220,165)	0	1,076,313
Total Governmental Funds	<u>\$10,815,464</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,815,464</u>

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Note 4 – Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

Fund Balances	General	Other Governmental Funds	Total
<i>Nonspendable</i>			
Prepays	\$20,975	\$0	\$20,975
<i>Restricted for:</i>			
Food Service	0	289,418	289,418
Education Foundation	0	120,406	120,406
Preschool Education	0	1,360	1,360
Student and Athletics Activities	0	232,809	232,809
Non-Public Schools	0	24,440	24,440
Special Education Donations	0	460	460
Debt Service Payments	0	582,145	582,145
Capital Improvements	0	1,273,484	1,273,484
<i>Total Restricted</i>	0	2,524,522	2,524,522
<i>Committed to:</i>			
College Scholarships	0	104,570	104,570
Facility Advertising	0	279,499	279,499
<i>Total Committed</i>	0	384,069	384,069
<i>Assigned to:</i>			
Uniform School Supplies	51,132	0	51,132
Purchases on Order			
Instruction	513	0	513
Support Services	83,974	0	83,974
<i>Total Assigned</i>	135,619	0	135,619
<i>Unassigned (Deficit)</i>	7,439,289	(112,026)	7,327,263
<i>Total Fund Balances</i>	\$7,595,883	\$2,796,565	\$10,392,448

Note 5 – Accountability

The following funds had deficit fund balances at June 30, 2025:

	Amount
<i>Special Revenue Funds:</i>	
Title I	\$39,204
IDEA-B Special Education	30,313
Improving Teacher Quality	16,786
Elementary and Secondary School Emergency Relief	14,938
Preschool Disabilities	1,688
Title II-D	51
<i>Capital Project Funds:</i>	
Ohio Career Technical Equipment	9,046

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These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the general fund needed for operations until the receipt of grant monies. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 6 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual, general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Investments are reported at cost (budget) rather than fair value (GAAP).
4. Budgetary revenues and expenditures of the uniform school supplies and cell tower lease funds are classified to the general fund for GAAP reporting.
5. Encumbrances are treated as expenditures (budget) rather than as a restricted, committed or assigned fund balance.
6. Advances-In are operating transactions (budget) as opposed to balance sheet transactions (GAAP),

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

Net Change in Fund Balance	
GAAP Basis	(\$2,143,268)
Net Adjustment for Revenue Accruals	110,453
Net Adjustment for Expenditure Accruals	331,512
Beginning Fair Value Adjustment for Investments	28,144
Ending Fair Value Adjustment for Investments	(54,141)
Advances In	10,000
Perspective Difference:	
Uniform School Supplies	(42,787)
Cell Tower Lease	355,000
Encumbrances	(160,706)
Budget Basis	<u><u>(\$1,565,793)</u></u>

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Note 7 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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, and Government National Mortgage 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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7. The State Treasurer's investment pool (STAR Ohio), and;
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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

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

Investments

As of June 30, 2025, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Amortized Cost:				
Commercial Paper	\$697,147	Less than one year	A-1 - A-1+	6.86 %
Net Asset Value Per Share:				
STAR Ohio	3,768,803	Average 30.4 Days	AAAm	N/A
Fair Value - Level One Inputs:				
US Treasury Note	2,157,207	Less than five years	N/A	21.24
Federal Home Loan Bank Notes	304,415	Less than five years	AA+	N/A
First American Treasury Obligations Fund	140,689	Less than one year	AAAm	N/A
Federal Farm Credit Bank Notes	752,251	Less than five years	AA+	7.41
Federal Home Loan Mortgage Corporation Notes	99,878	Less than two years	AA+	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificates of Deposits	2,236,757	Less than two years	N/A	22.02
<i>Total Investments</i>	<u>\$10,157,147</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2025. The federal home loan bank notes, first American treasury obligation fund, federal farm credit bank notes and federal home loan mortgage corporation notes are measured at fair value and is valued using quoted market prices (Level 1 inputs). The negotiable certificates of deposits are measured at fair value and are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk. The School District has no investment policy that addresses credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized statistical rating organization and that the commercial paper be rated in the highest category at the time of purchase by at least two nationally recognized statistical rating organization. The negotiable certificates of deposits are not rated.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer.

Note 8 – Receivables

Receivables at June 30, 2025, consisted of taxes, accounts, accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Foundation Adjustments	\$97,760
School Employees Retirement System	61,613
Title I	11,704
Ohio Career Technical Equipment	9,046
IDEA-B Special Education	8,532
Title VI-R Class Reduction	7,982
Ohio Schools Council Gas True-Up	4,350
Preschool Disabilities	<u>103</u>
Total Intergovernmental Receivable	<u><u>\$201,090</u></u>

Note 9 – Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2025 represent the collection of calendar year 2024 taxes. Real property taxes received in calendar year 2025 were levied after April 1, 2024, on the assessed values as of January 1, 2024, the lien date. Assessed values for real property taxes are established by State statute at 35

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For the Fiscal Year Ended June 30, 2025

percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2025, represent the collection of calendar year 2024 taxes. Public utility real and tangible personal property taxes received in calendar year 2025 became a lien on December 31, 2023, were levied after April 1, 2024, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Lake and Geauga Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2025, are available to finance fiscal year 2026 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2025, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2025 was \$1,075,760 in the general fund, \$72,764 in the bond retirement fund and \$45,001 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2024 was \$1,145,787 in the general fund, \$83,460 in the bond retirement fund and \$52,347 in the permanent improvement capital projects fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2025 taxes were collected are:

	2024 Second Half Collections		2025 First Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$410,001,920	96.40 %	\$507,248,830	96.81 %
Public Utility Personal	15,324,670	3.60	16,694,440	3.19
Total	<u>\$425,326,590</u>	<u>100.00 %</u>	<u>\$523,943,270</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$74.05		\$71.20	

Constraint due to limitation on raising property tax revenue

The Lake County Commissioners voted on October 30, 2025, to implement the local option of the Homestead Exemption and the 2.5 percent Owner Occupancy Credit “piggyback” provision under HB 96, which was signed into law by Governor DeWine on June 30, 2025. This affects Tax Year 2025 property tax collections,

Kirtland Local School District
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which will lower the School District's property tax revenue over the next two fiscal years. The School District is still working to identify the split over fiscal years 2026 and 2027 full effects of this legislation, but preliminary estimates have the School District losing a total of \$422,000 split over fiscal years 2026 and 2027. This property tax reduction is anticipated for the general fund is \$381,500, the bond retirement debt service fund is \$25,800 and the permanent improvement capital project fund is \$14,700.

Note 10 – Vacation and Sick Leave

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Upon approval, up to five days may be carried over into the following year. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum limit for all certified and classified personnel hired before the 1985-1986 school year. Employees hired after the 1985-1986 school year are limited to 275 days of sick leave for certified employees. Classified employees who work more than 2,080 hours per year accumulate up to 363 days. Classified employees who work less than 2,080 hours per year accumulate up to 270 sick days. Upon retirement, payment is made for up to 30 days of accumulated sick leave, plus where applicable, one-fourth of accumulated sick leave, days in excess of 120 days, to a maximum of 62 days for certified personnel, and 60 days for classified personnel.

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$813,790	\$0	\$0	\$813,790
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,712,228	204,536	0	2,916,764
Buildings and Improvements	26,759,229	522,277	0	27,281,506
Furniture and Equipment	1,061,867	143,777	0	1,205,644
Vehicles	2,628,331	250,831	0	2,879,162
<i>Total Capital Assets, being depreciated</i>	33,161,655	1,121,421	0	34,283,076
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(2,075,781)	(110,606)	0	(2,186,387)
Buildings and Improvements	(9,583,231)	(530,151)	0	(10,113,382)
Furniture and Equipment	(589,479)	(81,234)	0	(670,713)
Vehicles	(2,142,666)	(159,308)	0	(2,301,974)
<i>Total Accumulated Depreciation</i>	(14,391,157)	(881,299) *	0	(15,272,456)
<i>Total Capital Assets, being depreciated, net</i>	18,770,498	240,122	0	19,010,620
Governmental Activities Capital Assets, Net	\$19,584,288	\$240,122	\$0	\$19,824,410

Kirtland Local School District
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*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$608,890
Special	1,445
Support Services:	
Instructional Staff	5,381
Board of Education	5,722
Fiscal	8,100
Administration	15,997
Operation and Maintenance of Plant	51,066
Pupil Transportation	173,011
Central	1,154
Food Service Operations	1,577
Extracurricular Activities	8,956
<i>Total Depreciation Expense</i>	<u><u>\$881,299</u></u>

Note 12 – Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2025, the School District contracted with Ohio School Plan for various types of insurance. Coverage is as follows:

<u>Coverage</u>	<u>Amount</u>
Blanket Building and Contents (\$1,000 Deductible)	\$64,334,373
Extra Expense Coverage	1,000,000
Crime	2,000,000
General Liability	11,000,000
Employee Benefits Liability	11,000,000
Employer's Liability	11,000,000
School Leader's Errors and Omissions Liability	11,000,000
Sexual Misconduct and Molestation	11,000,000
Fleet	11,000,000
Uninsured Motorists	1,000,000
Boiler and Machinery	64,334,373
Violence Coverage	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

All employees of the School District are covered by a employee dishonesty/blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.

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Employee Medical Coverage

The School District has elected to provide medical coverage through the Health Care Benefits Program of Lake County Schools Council (Note 18).

Workers' Compensation

For fiscal year 2025, the School District participated in the Ohio School Boards' Workers' Compensation Group Retro-Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sedgwick Managed Care Ohio provides administrative, cost control and actuarial services to the GRP.

Note 13 – Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2025, consist of the following individual fund receivables and payables:

	Interfund Receivable
Interfund Payable	General
Other Governmental Funds:	
IDEA-B Special Education	\$36,545
Title VI-R	20,756
Title I	19,295
Coronavirus Relief	14,938
Preschool Disabilities	1,688
Title II-D	51
Total	<u>\$93,273</u>

The advances totaling \$93,273 from the general fund to the various special revenue funds were made to support the activities of those funds due to the timing of grant collections. The balances are anticipated to be repaid within one year.

Kirtland Local School District
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Interfund Transfers

Transfers made during the fiscal year ended June 30, 2025, were as follows:

Transfers To	Transfers From		
	General	Other Governmental Funds	Total
<i>Other Governmental Funds:</i>			
Construction	\$1,650,726	\$66,310	\$1,717,036
Bond Retirement	0	627,449	627,449
Elementary Secondary School			
Emergency Relief	302,710	0	302,710
Student Activities	200,000	0	200,000
Permanent Improvement	85,000	0	85,000
Technology	12,888	0	12,888
Wellness	8,536	0	8,536
Drug Free	6,382	0	6,382
Class Size Reduction	2,149	0	2,149
Title I	814	0	814
<i>Total Transfers</i>	<u>\$2,269,205</u>	<u>\$693,759</u>	<u>\$2,962,964</u>

The general fund transfers to all funds were to provide additional resources for current operations and to support future capital projects. The permanent improvement capital projects fund transfer to the bond retirement debt service fund for the payment of debt obligations. The Kirtland education foundation special revenue fund transferred to the building construction fund to support future capital projects.

Note 14 – Contingencies

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2025.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, the DEW adjustments for fiscal year 2025 have been finalized.

Litigation

As of June 30, 2025, the School District was not party to any legal proceedings.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 15 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2025 were as follows:

	Principal Outstanding 7/1/24	Additions	Deductions	Principal Outstanding 6/30/25	Amounts Due in One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
2013 School Improvement Refunding Bonds 1.25 - 3.00%					
Current Interest Serial Bonds	\$7,660,000	\$0	\$345,000	\$7,315,000	\$725,000
Capital Appreciation Bonds	2,374	0	2,374	0	0
Accretion on Capital Appreciation Bonds	298,781	73,845	372,626	0	0
Premium on Bonds	561,009	0	56,808	504,201	0
2016 School Improvement Refunding Bonds 3.56%					
Current Interest Serial Bonds	645,000	0	100,000	545,000	100,000
Premium on Bonds	111,548	0	18,592	92,956	0
<i>Total General Obligation Bonds</i>	9,278,712	73,845	895,400	8,457,157	825,000
Financed Purchase from Direct Borrowing	3,485,000	0	135,000	3,350,000	140,000
Compensated Absences	2,378,237	0	219,836	2,158,401	185,984
Net Pension Liability					
SERS	2,546,063	0	484,626	2,061,437	0
STRS	12,940,519	0	1,631,598	11,308,921	0
<i>Total Net Pension Liability</i>	15,486,582	0	2,116,224	13,370,358	0
Net OPEB Liability					
SERS	776,360	0	360,186	416,174	0
<i>Total Governmental Activities Long-Term Liabilities</i>	\$31,404,891	\$73,845	\$3,726,646	\$27,752,090	\$1,150,984

Increases and decreases to compensated absences are presented net on the above table.

On May 16, 2013, the School District issued \$8,599,992 in general obligation bonds which included serial and capital appreciation (deep discount) bonds, to partially refund bonds previously issued in 2006 for school improvements in the amount of \$8,600,000. The bonds were issued with interest rates varying from 1.25 to 3 percent. The proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. The bonds were issued for a 20 year period with final maturity during fiscal year 2034. The bonds will be retired through the bond retirement fund.

The final maturity amount of outstanding capital appreciation bonds was \$375,000. The accretion recorded for fiscal year 2025 was \$73,845.

On October 22, 2015, the School District issued \$4,525,000 in general obligation serial bonds to partially refund bonds previously issued in 2006 and 2007 for school improvements in the amounts of \$3,390,000 and \$1,235,000, respectively. The bonds were issued with a fixed interest rate of 3.56 percent. The proceeds were

Kirtland Local School District
Notes to the Basic Financial Statements
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placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. The bonds were issued for a 15 year period with final maturity during fiscal year 2030. The bonds will be retired through the bond retirement fund.

On July 27, 2022, the School District entered into a \$3,765,000 base lease and lease-purchase agreement with Capital One Public Funding, LLC for the construction of a new stadium and high school building improvements. The initial term of the lease expired on June 30, 2023, with the right to renew for successive one-year terms (with a final partial-year term through June 1, 2042. The lease payments will be paid from property taxes received in the bond retirement fund. The lease proceeds issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The lease proceeds have been designated to be "qualified tax exempt obligations" within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to Capital One Public Funding, LLC, and then subleased back to the School District. The lease proceeds were issued through a series of annual leases with an initial lease term of one year which includes the right to renew for twenty successive one-year terms through fiscal year 2042 subject to annual appropriations. To satisfy the trustee agreements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 4.07 percent. The School District has the option to purchase the renovations on any lease payment date by paying the amount necessary to defease the indenture.

The School District's overall legal debt margin at June 30, 2025 was \$39,877,039 with an unvoted debt margin of \$523,943. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2025, are as follows:

	General Obligation Bonds		Financed Purchase from	
	Serial		Direct Borrowing	
	Principal	Interest	Principal	Interest
2026	\$825,000	\$218,747	\$140,000	\$136,344
2027	850,000	196,723	145,000	130,648
2028	875,000	173,064	155,000	124,746
2029	900,000	146,766	160,000	118,438
2030	925,000	118,747	165,000	111,926
2031-2035	3,485,000	212,925	930,000	453,398
2036-2040	0	0	1,135,000	247,864
2041-2044	0	0	520,000	31,949
Total	<u>\$7,860,000</u>	<u>\$1,066,972</u>	<u>\$3,350,000</u>	<u>\$1,355,313</u>

There is no repayment schedule for the net pension/OPEB liability. However, employer pension and OPEB contributions are made from the general fund, athletics activities and ESSER special revenue funds. For additional information related to the net pension liability and net OPEB asset/liability see Notes 22 and 23.

Note 16 – Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

The following cash basis information describes the changes in the year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by the State statute.

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2024	\$0
Current Year Set-aside Requirement	264,477
Current Year Offsets	(626,932)
Qualifying Disbursements	(1,616,203)
Totals	<u><u>(\$1,978,658)</u></u>
Set-aside Balance as of June 30, 2025 and Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

Although the School District had qualifying offsets and disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

Note 17 – Jointly Governed Organizations

Northeast Ohio Network for Education and Technology - The Northeast Ohio Network for Education and Technology (NEOnet) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its sixty-five member school districts. Each of the districts supports NEOnet based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The Board exercises total control over operations of the NEOnet including the budgetary, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the governing board. NEOnet's continued existence is not dependent on the School District's continued participation. NEOnet is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2025, the School District paid \$70,883 to NEOnet. Financial information can be obtained by writing to the Metropolitan Regional Service Council, 700 Graham Road, Cuyahoga Falls, Ohio 44221. Prior to July 1, 2024, the District was part of the Lake Geauga Computer Association (LGCA) which ceased to exist and merged with the Northeast Ohio Network for Education Technology (NEOnet).

Auburn Career Center - The Auburn Career Center is a joint vocational school operated by eleven school districts. Each participating school district appoints one board member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. The Board exercises total control over the operations of the Auburn Career Center including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. Financial information can be obtained from the Auburn Career Center, 8140 Auburn Road, Concord Township, Ohio 44077.

Ohio Schools Council - The Ohio Schools Council (Council) is a jointly governed organization among 302 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Council's

Kirtland Local School District
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Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2025, the School District paid \$1,188 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director at the Ohio Schools Council at 6393 Oak Tree Boulevard, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation serves as the supplier from July 1, 2023 through June 30, 2025. There are currently 185 participants in the program. The participants make monthly payments based on estimated usage with a true up at the end of the fiscal year. Each August, these estimated payments are compared to their actual usage and actual prices for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in August until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the August monthly estimated billing. Any school district that requests a refund for their excess amount has the amount returned in November of that fiscal year.

Note 18 – Claims Servicing Pool

The School District participates in the Health Care Benefits Program of Lake County Schools Council (the Program), a claims servicing pool comprised of an education service center, community college, one Cuyahoga County school district and eight Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The Program's business and affairs are conducted by a five member Board of Directors elected by the Program's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claim flow. The Program is operated as a fully indemnity program with no financial liability (other than the monthly premiums) or risk to the School District. The Program shall pay the run out of all claims for a withdrawing member. Any member that withdraws from the Program pursuant to the Program Agreement shall have no claim to the Program's assets. Financial information can be obtained from Jennifer Capo, Treasurer, Perry Local School District, 4325 Manchester Road, Perry, OH 44081.

Note 19 – Related Organization

The Kirtland Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Kirtland Local School District's Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and issues tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Kirtland Public Library, Mary Ann Korenewych, Fiscal Officer, at 9267 Chillicothe Road, Kirtland, Ohio 44094.

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Note 20 – Insurance Purchasing Pool

The School District participates in the Ohio School Boards' Workers' Compensation Group Retro-Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of OSC. The Director of OSC, 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.

Note 21 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$160,706
Other Governmental Funds	<u>342,831</u>
Totals	<u><u>\$503,537</u></u>

Note 22 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 23 for the required OPEB disclosures.

School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2024.

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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2025, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2025, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$251,759 for fiscal year 2025. Of this amount, \$12,925 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. The calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of credited service. Effective August 1, 2023, any member can retire with unreduced benefits with 34 years of services credit at any age; or five years of service credit and age 65. Effective June 1, 2025 - July 1, 2027, any member can retire with unreduced benefits with 33 years of service credit at any age; or five years of service credit and age 65. Effective on or after August 1, 2027, any member can retire with unreduced benefits with 34 years of service credit at any age; or five years of service credit and age 65.

In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a permanent 1 percent COLA of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits effective August 1, 2023, can retire with 29 years of service credit at any age; or five years of service credit and age 60. Effective June 1, 2025 - July 1, 2027, retirement eligibility for reduced benefits is 28 years of service credit at any age; or five years of service credit and age 60. Effective on or after August 1, 2027, retirement eligibility for reduced benefits is 29 years of service credit at any age; or five years of service credit and age 60.

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The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2025 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2025, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,202,718 for fiscal year 2025. Of this amount, \$207,650 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04029710%	0.05877323%	
Prior Measurement Date	<u>0.04607830%</u>	<u>0.06009081%</u>	
Change in Proportionate Share	<u>-0.00578120%</u>	<u>-0.00131758%</u>	
Proportionate Share of the Net Pension Liability	\$2,061,437	\$11,308,921	\$13,370,358
Pension Expense	(\$4,928)	\$563,217	\$558,289

At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$78,704	\$712,167	\$790,871
Changes of assumptions	18,441	521,177	539,618
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	0	13,007	13,007
School District contributions subsequent to the measurement date	<u>251,759</u>	<u>1,202,718</u>	<u>1,454,477</u>
Total Deferred Outflows of Resources	<u>\$348,904</u>	<u>\$2,449,069</u>	<u>\$2,797,973</u>
	SERS	STRS	Total
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$6,193	\$6,193
Changes of assumptions	0	392,296	392,296
Net difference between projected and actual earnings on pension plan investments	128,942	972,337	1,101,279
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>270,064</u>	<u>325,463</u>	<u>595,527</u>
Total Deferred Inflows of Resources	<u>\$399,006</u>	<u>\$1,696,289</u>	<u>\$2,095,295</u>

\$1,454,477 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2026	(\$207,088)	(\$730,271)	(\$937,359)
2027	28,766	947,745	976,511
2028	(85,623)	(377,296)	(462,919)
2029	(37,916)	(290,116)	(328,032)
Total	<u>(\$301,861)</u>	<u>(\$449,938)</u>	<u>(\$751,799)</u>

Actuarial Assumptions – SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2137.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2024, are presented as follows:

Inflation	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. ORC 3309.15 and the SERS Board-adopted Investment Policy govern investment activity. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (geometric)
Cash	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
Total	<u>100.00 %</u>	

Discount Rate The total pension liability for 2024 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 20-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2024 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2024 was 9.31 percent.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$3,153,713	\$2,061,437	\$1,141,799

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Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation are presented as follows:

Inflation	2.50 percent
Salary increases	From 2.5 percent to 8.5 percent based on service
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation *	Long-Term Expected Rate of Return **
Domestic Equity	26.00%	6.90%
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
Total	<u>100.00%</u>	

* Final target weights reflected at October 1, 2022.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.4 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and

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their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2024. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2024.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$18,243,268	\$11,308,921	\$5,443,651

Note 23 – Defined Benefit OPEB Plans

See note 22 for a description of the net OPEB liability

School Employees Retirement System (SERS)

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

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Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2025, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2025, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2025, the School District's surcharge obligation was \$29,843.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$29,843 for fiscal year 2025, which is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2025, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an independent actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.04086150%	0.05877323%	
Prior Measurement Date	<u>0.04712510%</u>	<u>0.06009081%</u>	
Change in Proportionate Share	<u>-0.00626360%</u>	<u>-0.00131758%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$416,174	\$0	\$416,174
Net OPEB (Asset)	\$0	(\$1,114,816)	(\$1,114,816)
OPEB Expense	(\$93,027)	(\$250,011)	(\$343,038)

At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$48,463	\$48,463
Changes of assumptions	178,621	137,218	315,839
Net difference between projected and actual earnings on OPEB plan investments	2,032	0	2,032
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	62,344	8,241	70,585
School District contributions subsequent to the measurement date	<u>29,843</u>	<u>0</u>	<u>29,843</u>
Total Deferred Outflows of Resources	<u>\$272,840</u>	<u>\$193,922</u>	<u>\$466,762</u>
	SERS	STRS	Total
Deferred Inflows of Resources			
Differences between expected and actual experience	\$448,742	\$120,139	\$568,881
Changes of assumptions	191,174	502,775	693,949
Net difference between projected and actual earnings on OPEB plan investments	0	47,867	47,867
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>318,356</u>	<u>2,601</u>	<u>320,957</u>
Total Deferred Inflows of Resources	<u>\$958,272</u>	<u>\$673,382</u>	<u>\$1,631,654</u>

\$29,843 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase in the net OPEB asset in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2026	(\$147,797)	(\$171,763)	(\$319,560)
2027	(104,637)	(73,871)	(178,508)
2028	(96,054)	(94,897)	(190,951)
2029	(96,956)	(88,234)	(185,190)
2030	(96,344)	(71,217)	(167,561)
Thereafter	(173,487)	20,522	(152,965)
Total	<u>(\$715,275)</u>	<u>(\$479,460)</u>	<u>(\$1,194,735)</u>

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2024, are presented as follows:

	June 30, 2024
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2059
Municipal Bond Index Rate:	
Measurement Date	3.93 percent
Prior Measurement Date	3.86 percent

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

	June 30, 2024
Single Equivalent Interest Rate,	
Measurement Date	4.88 percent
Prior Measurement Date	4.27 percent
Health Care Cost Trend Rate	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent
Medical Trend Assumption	
Measurement Date	7.00 to 4.40 percent
Prior Measurement Date	6.75 to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 22.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2024, was 4.88 percent. The discount rate used to measure total OPEB liability prior to June 30, 2024, was 4.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2059 by SERS'actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2023, and the June 30, 2024, total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.93 percent at June 30, 2024, and 3.86 percent at June 30, 2023.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.88%) and higher (5.88%) than the current discount rate (4.88%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease (3.88%)	Current Discount Rate (4.88%)	1% Increase (5.88%)
School District's proportionate share of the net OPEB liability	\$554,951	\$416,174	\$305,894

	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$281,317	\$416,174	\$593,429

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation compared to the prior year are presented as follows:

	June 30, 2024	June 30, 2023
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation

	June 30, 2024	June 30, 2023
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	7.50 percent initial 4.14 percent ultimate
Medicare	-112.22 percent initial 3.94 percent ultimate	-10.94 percent initial 4.14 percent ultimate
Prescription Drug		
Pre-Medicare	8.00 percent initial 3.94 percent ultimate	-11.95 percent initial 4.14 percent ultimate
Medicare	-15.14 percent initial 3.94 percent ultimate	1.33 percent initial 4.14 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 22.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2024. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2024.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2024, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB (asset)	(\$906,419)	(\$1,114,816)	(\$1,296,167)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB (asset)	(\$1,308,417)	(\$1,114,816)	(\$881,986)

Note 24 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2025, the School District received COVID-19 funding. The School District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Required Supplementary Information

Kirtland Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Ten Fiscal Years **

	2025	2024	2023	2022
School District's Proportion of the Net Pension Liability	0.04029710%	0.04607830%	0.04776420%	0.05226590%
School District's Proportionate Share of the Net Pension Liability	\$2,061,437	\$2,546,063	\$2,583,458	\$1,928,461
School District's Covered Payroll	\$1,709,100	\$1,788,086	\$1,784,100	\$1,816,414
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	120.62%	142.39%	144.80%	106.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.52%	76.06%	75.82%	82.86%

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017	2016
0.04745490%	0.04612460%	0.05208920%	0.05105650%	0.05717570%	0.06386600%
\$3,138,767	\$2,759,716	\$2,983,245	\$3,050,513	\$4,184,734	\$3,644,256
\$1,612,293	\$1,625,519	\$1,677,844	\$1,700,064	\$1,770,100	\$1,815,986
194.68%	169.77%	177.80%	179.44%	236.41%	200.68%
68.55%	70.85%	71.36%	69.50%	62.98%	69.16%

Kirtland Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
*Last Nine Fiscal Years (1) **

	2025	2024	2023	2022
School District's Proportion of the Net OPEB Liability	0.04086150%	0.04712510%	0.04869770%	0.05384840%
School District's Proportionate Share of the Net OPEB Liability	\$416,174	\$776,360	\$683,721	\$1,019,123
School District's Covered Payroll	\$1,709,100	\$1,788,086	\$1,784,100	\$1,816,414
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	24.35%	43.42%	38.32%	56.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	44.50%	30.02%	30.34%	24.08%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017
0.04903290%	0.04731300%	0.05222020%	0.05149530%	0.05773980%
\$1,065,646	\$1,189,821	\$1,448,728	\$1,381,998	\$1,645,798
\$1,612,293	\$1,625,519	\$1,677,844	\$1,700,064	\$1,770,100
66.10%	73.20%	86.34%	81.29%	92.98%
18.17%	15.57%	13.57%	12.46%	11.49%

Kirtland Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Ten Fiscal Years **

	2025	2024	2023	2022
School District's Proportion of the Net Pension Liability	0.05877323%	0.06009081%	0.06019691%	0.06015448%
School District's Proportionate Share of the Net Pension Liability	\$11,308,921	\$12,940,519	\$13,381,848	\$7,691,291
School District's Covered Payroll	\$8,167,964	\$7,965,671	\$7,997,693	\$7,481,321
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	138.45%	162.45%	167.32%	102.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.50%	80.00%	78.90%	87.80%

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017	2016
0.05968550%	0.05948765%	0.06217164%	0.06313333%	0.06464636%	0.06327032%
\$14,441,768	\$13,155,337	\$13,670,146	\$14,997,458	\$21,639,085	\$17,486,068
\$7,236,914	\$6,985,050	\$7,094,879	\$7,031,914	\$6,772,036	\$5,954,579
199.56%	188.34%	192.68%	213.28%	301.60%	293.66%
75.50%	77.40%	77.30%	75.30%	66.80%	72.10%

Kirtland Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
*Last Nine Fiscal Years (1) **

	2025	2024	2023	2022
School District's Proportion of the Net OPEB Liability/Asset	0.05877323%	0.06009081%	0.06019691%	0.06015448%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$1,114,816)	(\$1,168,684)	(\$1,558,698)	(\$1,268,308)
School District's Covered Payroll	\$8,167,964	\$7,965,671	\$7,997,693	\$7,481,321
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered - Payroll	-13.65%	-14.67%	-19.49%	-16.95%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	158.00%	168.50%	230.70%	174.70%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017
0.05968550%	0.05948765%	0.06217164%	0.06313333%	0.06464636%
(\$1,048,972)	(\$985,258)	(\$999,035)	\$2,463,230	\$3,457,304
\$7,236,914	\$6,985,050	\$7,094,879	\$7,031,914	\$6,772,036
-14.49%	-14.11%	-14.08%	35.03%	51.05%
182.10%	174.70%	176.00%	47.10%	37.30%

Kirtland Local School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2025	2024	2023	2022
Net Pension Liability				
Contractually Required Contribution	\$251,759	\$239,274	\$250,332	\$249,774
Contributions in Relation to the Contractually Required Contribution	<u>(251,759)</u>	<u>(239,274)</u>	<u>(250,332)</u>	<u>(249,774)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,798,279	\$1,709,100	\$1,788,086	\$1,784,100
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$29,843	\$28,218	\$32,886	\$31,078
Contributions in Relation to the Contractually Required Contribution	<u>(29,843)</u>	<u>(28,218)</u>	<u>(32,886)</u>	<u>(31,078)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.66%</u>	<u>1.65%</u>	<u>1.84%</u>	<u>1.74%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.66%</u>	<u>15.65%</u>	<u>15.84%</u>	<u>15.74%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017	2016
\$254,298	\$225,721	\$219,445	\$226,509	\$238,009	\$247,814
(254,298)	(225,721)	(219,445)	(226,509)	(238,009)	(247,814)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,816,414	\$1,612,293	\$1,625,519	\$1,677,844	\$1,700,064	\$1,770,100
<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>
\$35,279	\$30,502	\$37,214	\$33,828	\$26,608	\$28,352
(35,279)	(30,502)	(37,214)	(33,828)	(26,608)	(28,352)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.94%</u>	<u>1.89%</u>	<u>2.29%</u>	<u>2.02%</u>	<u>1.57%</u>	<u>1.60%</u>
<u>15.94%</u>	<u>15.89%</u>	<u>15.79%</u>	<u>15.52%</u>	<u>15.57%</u>	<u>15.60%</u>

Kirtland Local School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2025	2024	2023	2022
Net Pension Liability				
Contractually Required Contribution	\$1,202,718	\$1,143,515	\$1,115,194	\$1,119,677
Contributions in Relation to the Contractually Required Contribution	<u>(1,202,718)</u>	<u>(1,143,515)</u>	<u>(1,115,194)</u>	<u>(1,119,677)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$8,590,843	\$8,167,964	\$7,965,671	\$7,997,693
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Net OPEB Liability (Asset) (1)

(1) Although the covered payroll for the net OPEB Liability is the same as the net pension liability, there were no OPEB related required contributions for 2016-2025, STRS did not allocate any employer contributions to postemployment health care; therefore, there is no required supplementary information to present related to the statutorily established employer contribution requirements for the net OPEB liability.

See accompanying notes to the required supplementary information

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$1,047,385	\$1,013,168	\$977,907	\$993,283	\$984,468	\$948,085
<u>(1,047,385)</u>	<u>(1,013,168)</u>	<u>(977,907)</u>	<u>(993,283)</u>	<u>(984,468)</u>	<u>(948,085)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,481,321	\$7,236,914	\$6,985,050	\$7,094,879	\$7,031,914	\$6,772,036
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Kirtland Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

Net Pension Liability

Changes in Benefit Terms/Assumptions – SERS

Beginning in fiscal year 2018, on each anniversary of the initial retirement, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent nor greater than 2.5 percent. The COLA was suspended for 2018-2020. Prior to 2018, an assumption of 3 percent was used. For 2021, the cost-of living adjustment was reduced from 2.5 percent to 2 percent. For 2023 and 2024, the cost-of-living adjustment was increased from 2 percent to 2.5 percent.

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented as follows:

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Year 2016 and Prior
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning in 2022, amounts reported use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented as follows:

Kirtland Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

	<u>Fiscal Year 2022</u>	<u>Fiscal Years 2021-2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	Varies by Service from 2.5 percent to 8.5 percent	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	See Below	See Below	See Below
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring after August 1, 2013, or later, COLA commences on fifth anniversary of retirement date.

Investment rate of return:

Beginning with Fiscal Year 2022	7.00 percent, net of investment expenses, including inflation
Fiscal Years 2018 through 2021	7.45 percent, net of investment expenses, including inflation
Fiscal Year 2017 and prior	7.75 percent, net of investment expenses, including inflation

Beginning with fiscal year 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Kirtland Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

Changes in Benefit Term – STRS

For 2024 and 2025, demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015, through June 30, 2021.

For fiscal year 2023, the Board approved a one-time 3 percent COLA effective on the anniversary of a benefit recipient's retirement date for those eligible during fiscal year 2023 and eliminated the age 60 requirement to receive unreduced retirement that was scheduled to go into effect August 1, 2026.

Net OPEB Liability (Asset)

Changes in Assumptions – SERS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	<u>2022</u>	<u>2021 and Prior</u>
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:

Fiscal year 2025	3.93 percent
Fiscal year 2024	3.86 percent
Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

**Single Equivalent Interest Rate, net of plan investment expense,
including price inflation**

Fiscal year 2025	4.88 percent
Fiscal year 2024	4.27 percent
Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Kirtland Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

For fiscal year 2023, the projected salary increases were changed from age based to service based. Healthcare trends were updated to reflect emerging claims and recoveries experience.

Changes in Benefit Terms – STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

Kirtland Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022, premium based on June 30, 2021, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2023, healthcare trends were updated to reflect emerging claims and recoveries experience.

For fiscal year 2024, healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2024.

For fiscal year 2025, healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2025. The larger Medicare trends for Years 2027 and 2028 reflect the assumed impact of the expiration of current Medicare Advantage contract on December 31, 2028.



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**Independent Auditor's Report On Internal Control Over
Financial Reporting And On Compliance and Other Matters
Required By *Government Auditing Standards***

Kirtland Local School District
Lake County
9252 Chillicothe Road
Kirtland, Ohio, 44094

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 17, 2026. Wherein we noted the District adopted new guidance in Governmental Accounting Standards Board (GASB) Statement Number 101, Compensated Absences.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEITH FABER
Ohio Auditor of State

A handwritten signature in black ink that reads "Tiffany L. Ridenbaugh". The signature is written in a cursive, flowing style.

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

August 17, 2026

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**Kirtland Local School District
Lake County**

**Schedule of Findings
June 30, 2025**

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS
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None noted.

Other – Findings For Recovery

In addition, we identified the following other issues related to Findings For Recovery. This issue did not impact our GAGAS report.

Finding Number 2025-001

Finding For Recovery Partially Repaid Under Audit

The agreement between the Kirtland Board of Education and Kirtland Education Association for 2024-2027, Article IX(C) Severance Pay, provides retirement severance pay to employees using the following formula:

Up to thirty (30) days of accumulated sick leave times the employee's full time daily rate at retirement, plus where applicable, one-fourth (1/4) of the accumulated sick leave, days in excess of one hundred twenty (120) days times the same rate. Maximum allowable days total is sixty-two (62).

Scott Francis, Teacher, retired on August 31, 2024, and received \$33,131.44 severance pay. At separation, Scott Francis had a balance of 239.57 sick days. Scott Francis should have received 30 days plus 29.89 days ($\frac{1}{4}$ of 119.57) totaling 59.89 sick days at a \$534.38 per diem rate (\$32,005.39). However, Scott Francis was paid for the maximum allowable amount of 62 days instead of 59.89 sick days, resulting in an overpayment of \$1,126.09.

Kim Crawford, Nurse, retired on August 31, 2024, and received \$32,930.93 severance pay. At separation, Kim Crawford had a balance of 224.227 sick days. Kim Crawford should have received 30 days plus 26.05675 ($\frac{1}{4}$ of 104.227) totaling 56.06 sick days at a \$531.14 per diem rate (\$29,773.98). However, Kim Crawford was paid for the maximum allowable amount of 62 days instead of 56.06 sick days, resulting in an overpayment of \$3,156.95.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Chapter 117, a Finding for Recovery for public monies illegally expended is hereby issued against Scott Francis in the amount of \$1,126.09 and in favor of Kirtland Local School District's General Fund and Kim Crawford in the amount of \$3,156.95 and in favor of the Kirtland Local School District's General Fund.

As of August 3, 2026, Scott Francis paid \$500, and the remaining balance is \$626.09. Kim Crawford repaid the District \$3,165.95 on February 17, 2026.

The District should implement procedures to ensure individuals are compensated based upon the correct pay rates in accordance with the appropriate salary schedule, employment contract, and/or collective bargaining agreement. Furthermore, severance payouts should be recalculated to ensure the proper rate and hours are used within the calculation.

Officials' Response: The District will strengthen its review procedures for severance payment calculations to ensure payouts are calculated in accordance with applicable collective bargaining agreements, employment contracts, and Board-approved policies. Severance calculations will be independently reviewed and verified prior to payment processing.



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Dr. Chad VanArnhem

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Joshua Hayes, President

Sheila Dikowicz, Vice President

Christina Andow

John Warren

Pete Loncar

Summary Schedule of Prior Audit Findings

June 30, 2025

Finding Number 2024-001

Finding Summary:

The District overpaid the prior Treasurer upon his separation from the District. The amount of his severance pay was not calculated in accordance with his Board approved contract.

Finding Status:

Corrected.

Additional Information:

The prior Treasurer repaid the District in full on March 23, 2026.



Kirtland Local School District

Lake County

Single Audit

For the Year Ended June 30, 2024

**Kirtland Local School District
Lake County**

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**Kirtland Local School District
Lake County**

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OHIO AUDITOR OF STATE KEITH FABER

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Independent Auditor's Report

Kirtland Local School District
Lake County
9252 Chillicothe Road
Kirtland, Ohio 44094

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio as of June 30, 2024, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical

responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension and other post-employment benefit liabilities (assets) and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2026, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

August 17, 2026

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

The discussion and analysis of the Kirtland Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2024 are as follows:

- ❑ The School District is committed to meeting the academic needs of our students by providing them with updated instructional materials to compete in a global environment. During fiscal year 2024, the School District continued to provide professional development for staff members as more technology is introduced into the curriculum and classrooms.
- ❑ General revenues accounted for the majority of all revenues, with tax revenues representing the largest share of those revenues. Specific program revenues in the form of charges for services and operating and capital grants contributions and interest accounted for the remainder of all revenues.

Using this Annual Financial Report

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Kirtland Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the School District, the general fund and the construction capital projects fund are major funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform financially during fiscal year 2024?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting, used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

These two statements report the School District's net position and changes in that net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many financial or non-financial factors. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, all of the School District's activities are classified as governmental. The School District's programs and services reported here include instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus upon the School District's most significant funds. The School District's major governmental funds are the general fund and construction capital projects fund.

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

The School District as a Whole

You may recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net position for 2024 compared to 2023.

Table 1
Net Position
Governmental Activities

	2024	2023	Change
Assets			
Current and Other Assets	\$25,007,120	\$27,070,585	(\$2,063,465)
Net OPEB Asset	1,168,684	1,558,698	(390,014)
Capital Assets, Net	19,584,288	17,529,134	2,055,154
Total Assets	\$45,760,092	\$46,158,417	(\$398,325)

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

Table 1
Net Position
Governmental Activities

	2024	2023	Change
Deferred Outflows of Resources			
Deferred Charge on Refunding	\$90,923	\$106,078	(\$15,155)
Pension	3,076,076	3,845,700	(769,624)
OPEB	564,991	384,857	180,134
<i>Total Deferred Outflows of Resources</i>	<u>3,731,990</u>	<u>4,336,635</u>	<u>(604,645)</u>
Liabilities			
Current Liabilities	2,029,455	2,359,486	330,031
Long-Term Liabilities:			
Due Within One Year	1,317,565	1,208,531	(109,034)
Due in More than One Year:			
Net Pension Liability	15,486,582	15,965,306	478,724
Net OPEB Liability	776,360	683,721	(92,639)
Other Amounts Due in More Than One Year	13,180,209	14,141,628	961,419
Total Liabilities	<u>32,790,171</u>	<u>34,358,672</u>	<u>1,568,501</u>
Deferred Inflows of Resources			
Property Taxes	11,919,609	12,102,295	182,686
Pension	1,153,362	1,667,162	513,800
OPEB	1,796,446	2,282,513	486,067
<i>Total Deferred Inflows of Resources</i>	<u>14,869,417</u>	<u>16,051,970</u>	<u>1,182,553</u>
Net Position			
Net Investment in Capital Assets	7,210,280	5,668,096	1,542,184
Restricted For:			
Capital Projects	1,627,888	2,257,034	(629,146)
Debt Service	207,366	454,839	(247,473)
OPEB Plans	1,168,684	305,107	863,577
Other Purposes	641,362	548,105	93,257
Unrestricted (Deficit)	<u>(9,023,086)</u>	<u>(9,148,771)</u>	<u>125,685</u>
Total Net Position	<u>\$1,832,494</u>	<u>\$84,410</u>	<u>\$1,748,084</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2024. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In an effort to promote comparability with other governments, the School District updated its calculation of net position restricted for pension and OPEB plans for fiscal year 2024. This change impacted the amounts presented as net position restricted for OPEB plans and unrestricted net position. GASB 100 does not require amounts prior to those presented in the basic financial statements to be updated for a change in accounting principle.

Net position increased primarily as a result of a decrease in long term liabilities through debt obligations. Equity in pooled cash and cash equivalents decreased largely due to the spend down of debt proceeds and other resources set aside for the stadium improvements and various building renovations.

Table 2 shows the changes in net position for fiscal years 2024 compared to 2023.

Table 2
Changes in Position
Governmental Activities

	2024	2023	Change
Revenues			
Program Revenues:			
Charges for Services	\$967,432	\$1,053,487	(\$86,055)
Operating Grants and Contributions	1,291,728	1,368,934	(77,206)
Capital Grants, Contributions and Interest	4,056	21,691	(17,635)
<i>Total Program Revenues</i>	<u>2,263,216</u>	<u>2,444,112</u>	<u>(180,896)</u>
General Revenues:			
Property Taxes	14,442,052	14,272,246	169,806
Grant and Entitlements	2,803,184	2,480,648	322,536
Unrestricted Contributions and Donations	54,225	33,156	21,069
Investment Earnings/ Interest	623,585	281,684	341,901
Miscellaneous	205,573	226,320	(20,747)
<i>Total General Revenues</i>	<u>18,128,619</u>	<u>17,294,054</u>	<u>834,565</u>
<i>Total Revenues</i>	<u>\$20,391,835</u>	<u>\$19,738,166</u>	<u>\$653,669</u>

(continued)

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

Table 2
Changes in Position
Governmental Activities (*continued*)

	2024	2023	Change
Program Expenses			
Instruction	\$10,411,979	\$10,464,351	\$52,372
Support Services:			
Pupil	1,219,352	1,124,586	(94,766)
Instructional Staff	272,941	439,404	166,463
Board of Education	174,829	265,757	90,928
Administration	1,089,954	946,160	(143,794)
Fiscal	520,891	586,523	65,632
Business	29,939	46,422	16,483
Operation and Maintenance of Plant	1,431,122	1,433,958	2,836
Pupil Transportation	1,203,931	1,127,147	(76,784)
Central	399,466	306,981	(92,485)
Food Service Operations	246,972	259,780	12,808
Other Non-Instructional Services	72,611	76,358	3,747
Extracurricular Activities	991,425	798,589	(192,836)
Interest	578,339	787,917	209,578
<i>Total Program Expenses</i>	<u>18,643,751</u>	<u>18,663,933</u>	<u>20,182</u>
<i>Change in Net Position</i>	1,748,084	1,074,233	673,851
<i>Net Position Beginning of Year</i>	<u>84,410</u>	<u>(989,823)</u>	<u>1,074,233</u>
<i>Net Position End of Year</i>	<u><u>\$1,832,494</u></u>	<u><u>\$84,410</u></u>	<u><u>\$1,748,084</u></u>

Governmental Activities

Several revenue sources primarily fund the School District's governmental activities. Property tax revenues brought the largest portion of general revenues having generated \$14,442,052 in fiscal year 2024. Grants and entitlements portion of the general revenues is the second largest source of revenues for the School District and includes monies received from the Ohio Department of Education and Workforce, the State Foundation Program and property tax relief such as homestead exemptions and rollbacks provided by House Bill 920. Operating grants and contributions decreased during fiscal year 2024 due to changes in grant funding. Charges for services decreased due to a decrease in student fees.

Instruction expenses are the largest expense of the School District, comprising of 55.85 percent of total expenses. Operation and maintenance of plant expenses are those expenses concerned with keeping the physical plant open, comfortable and safe for use and keeping the grounds, buildings and equipment in an effective working condition and state of repair. These expenses make up 7.68 percent of expenses for fiscal year 2024.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2024 and 2023. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

Table 3
Governmental Activities

	2024		2023	
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
Instruction	\$10,411,979	(\$9,634,873)	\$10,464,351	(\$9,236,564)
Support Services:				
Pupil	1,219,352	(1,195,363)	1,124,586	(1,088,904)
Instructional Staff	272,941	(272,799)	439,404	(333,524)
Board of Education	174,829	(174,829)	265,757	(265,757)
Administration	1,089,954	(1,089,954)	946,160	(946,160)
Fiscal	520,891	(358,190)	586,523	(422,809)
Business	29,939	(29,939)	46,422	(46,422)
Operation and Maintenance of Plant	1,431,122	(1,155,850)	1,433,958	(1,420,104)
Pupil Transportation	1,203,931	(1,103,005)	1,127,147	(1,127,147)
Central	399,466	(393,473)	306,981	(301,581)
Food Service Operations	246,972	(74,819)	259,780	(10,799)
Other Non-Instructional Services	72,611	(30,868)	76,358	(76,358)
Extracurricular Activities	991,425	(288,234)	798,589	(155,775)
Interest	578,339	(578,339)	787,917	(787,917)
Total Expenses	<u>\$18,643,751</u>	<u>(\$16,380,535)</u>	<u>\$18,663,933</u>	<u>(\$16,219,821)</u>

The School District's Funds

Information regarding the School District's major funds starts on page 15. All governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the general fund and the construction capital projects fund. All governmental funds had total revenues of \$20,840,085 and expenditures of \$21,924,384.

The general fund had an increase in fund balance of \$608,422 for fiscal year 2024, primarily due to an increase in revenues as well as a decrease in interfund receivable. Revenues increased primarily due to increasing investment income, intergovernmental revenue and property taxes during the fiscal year related to investment outcomes, federal grants received and an increase in assessed values. The general fund is responsible for advancing monies to other funds as needed, which occurred during the fiscal year, mainly to the construction fund from timing of projects. The construction capital projects fund decreased due to the School District continuing the new stadium construction as well as other various construction projects.

General Fund Budgeting Highlights

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

During the course of fiscal year 2024, the School District amended its general fund budget a number of times by the end of the fiscal year. Requests for budget changes are made by the Treasurer to reflect changes in projected revenues. With regard to the general fund, the actual revenues were \$385,857 over final budgeted revenues. Final budgeted expenditures were \$16,813,179, while actual expenditures were \$16,293,987. The School District monitors the budget on a monthly basis to keep it in line with current expenditures.

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 details fiscal year 2024 balances compared to the prior fiscal year. More detailed information is presented in Note 11.

Table 4
Capital Assets at June 30
(Net of Depreciation)
Governmental Activities

	2024	2023
Land	\$813,790	\$813,790
Construction in Progress	0	2,435,177
Land Improvements	636,447	707,547
Buildings and Improvements	17,175,998	12,900,267
Furniture and Equipment	472,388	330,362
Vehicles	485,665	341,991
Total	<u>\$19,584,288</u>	<u>\$17,529,134</u>

During fiscal year 2024, the stadium and high school improvements were completed and is now in use. Other additions included various School District renovations, security equipment, and instructional equipment as well as various extracurricular activities equipment, two new school buses, and one transportation van. This increase is offset by an additional year of annual depreciation/amortization on all capital assets other than land and construction in progress.

Debt Administration

At June 30, 2024, the School District had \$12,763,712 in bonds and a financed purchases outstanding with \$881,155 due within one year. Table 5 summarizes general obligation bonds outstanding for governmental activities for fiscal years 2024 and 2023.

Table 5
Outstanding Debt at June 30

	2024	2023
2013 School Improvement Refunding Bonds	\$8,522,164	\$9,050,262
2016 School Improvement Refunding Bonds	756,548	870,140
2023 School Improvement Financed Purchase	<u>3,485,000</u>	<u>3,615,000</u>
Total Debt	<u>\$12,763,712</u>	<u>\$13,535,402</u>

The School District's overall legal debt margin at June 30, 2024 was \$29,904,782 with an unvoted debt margin of \$425,327. More information regarding long-term debt obligations of the School District is presented in Note 15.

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

Current Issues

The School District remains dependent upon local revenue to support the high quality educational programs. Currently 71 percent of total operating fund revenue is local property tax revenue. The Board of Education has practiced fiscal prudence and slowed the year over year growth of operating fund expenses, and has thoughtfully overseen the use on operating fund levy proceeds. As a result of State funding policies for public education there is minimal growth in total operating fund revenues. This places great importance in gaining community support for renewing all existing operating levy issues.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ryan Pendleton, Treasurer at Kirtland Local School District, 9252 Chillicothe Road, Kirtland, Ohio, 44094, www.kirtlandschools.org.

Kirtland Local School District*Statement of Net Position**June 30, 2024*

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,715,212
Equity in Pooled Cash and Cash Equivalents with Fiscal Agent	491,889
Accrued Interest Receivable	45,946
Accounts Receivable	28,043
Intergovernmental Receivable	375,733
Prepaid Items	21,268
Property Taxes Receivable	13,329,029
Nondepreciable Capital Assets	813,790
Depreciable Capital Assets, Net	18,770,498
Net OPEB Asset	1,168,684
<i>Total Assets</i>	<u>45,760,092</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	90,923
Pension	3,076,076
OPEB	564,991
<i>Total Deferred Outflows of Resources</i>	<u>3,731,990</u>
Liabilities	
Accounts Payable	123,499
Accrued Wages and Benefits	1,372,910
Intergovernmental Payable	417,817
Accrued Interest Payable	31,968
Accrued Vacation Leave Payable	65,763
Unearned Revenue	17,498
Long-Term Liabilities:	
Due Within One Year	1,317,565
Due In More Than One Year:	
Net Pension Liability (See Note 22)	15,486,582
Net OPEB Liability (See Note 23)	776,360
Other Amounts Due in More Than One Year	13,180,209
<i>Total Liabilities</i>	<u>32,790,171</u>
Deferred Inflows of Resources	
Property Taxes	11,919,609
Pension	1,153,362
OPEB	1,796,446
<i>Total Deferred Inflows of Resources</i>	<u>14,869,417</u>
Net Position	
Net Investment in Capital Assets	7,210,280
Restricted for:	
Capital Projects	1,627,888
Debt Service	207,366
OPEB Plans	1,168,684
Other Purposes	641,362
Unrestricted (Deficit)	(9,023,086)
<i>Total Net Position</i>	<u>\$1,832,494</u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$7,911,004	\$149,401	\$87,288	\$0	(\$7,674,315)
Special	2,411,128	0	540,391	0	(1,870,737)
Vocational	89,714	0	26	0	(89,688)
Student Intervention Services	133	0	0	0	(133)
Support Services:					
Pupil	1,219,352	0	23,989	0	(1,195,363)
Instructional Staff	272,941	0	142	0	(272,799)
Board of Education	174,829	0	0	0	(174,829)
Administration	1,089,954	0	0	0	(1,089,954)
Fiscal	520,891	0	162,701	0	(358,190)
Business	29,939	0	0	0	(29,939)
Operation and Maintenance of Plant	1,431,122	1,065	274,207	0	(1,155,850)
Pupil Transportation	1,203,931	0	100,926	0	(1,103,005)
Central	399,466	0	5,993	0	(393,473)
Food Service Operations	246,972	172,153	0	0	(74,819)
Other Non-Instructional Services	72,611	0	41,743	0	(30,868)
Extracurricular Activities	991,425	644,813	54,322	4,056	(288,234)
Interest	578,339	0	0	0	(578,339)
Totals	\$18,643,751	\$967,432	\$1,291,728	\$4,056	(16,380,535)
General Revenues					
Property Taxes Levied for:					
General Purposes					12,987,557
Debt Service					902,989
Capital Projects					551,506
Income Taxes Levied for General Purposes					
Grants and Entitlements not Restricted					
to Specific Programs					2,803,184
Unrestricted Contributions and Donations					54,225
Investment Earnings/Interest					623,585
Miscellaneous					205,573
Total General Revenues					18,128,619
Change in Net Position					1,748,084
Net Position Beginning of Year					84,410
Net Position End of Year					\$1,832,494

See accompanying notes to the basic financial statements

Kirtland Local School District

*Balance Sheet
Governmental Funds
June 30, 2024*

	<u>General</u>	<u>Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$7,946,708	\$0	\$2,768,504	\$10,715,212
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agents	0	491,889	0	491,889
Accrued Interest Receivable	45,946	0	0	45,946
Accounts Receivable	25,722	0	2,321	28,043
Intergovernmental Receivable	99,619	0	276,114	375,733
Interfund Receivable	2,281,202	0	0	2,281,202
Prepaid Items	21,268	0	0	21,268
Property Taxes Receivable	11,874,534	0	1,454,495	13,329,029
<i>Total Assets</i>	<u>\$22,294,999</u>	<u>\$491,889</u>	<u>\$4,501,434</u>	<u>\$27,288,322</u>
Liabilities				
Accounts Payable	\$34,961	\$0	\$88,538	\$123,499
Accrued Wages and Benefits	1,323,908	0	49,002	1,372,910
Interfund Payable	0	1,712,054	569,148	2,281,202
Intergovernmental Payable	416,491	0	1,326	417,817
Unearned Revenue	0	0	17,498	17,498
<i>Total Liabilities</i>	<u>1,775,360</u>	<u>1,712,054</u>	<u>725,512</u>	<u>4,212,926</u>
Deferred Inflows of Resources				
Property Taxes	10,613,901	0	1,305,708	11,919,609
Unavailable Revenue	166,587	0	173,736	340,323
<i>Total Deferred Inflows of Resources</i>	<u>10,780,488</u>	<u>0</u>	<u>1,479,444</u>	<u>12,259,932</u>
Fund Balances				
Nonspendable	21,268	0	0	21,268
Restricted	0	0	2,495,604	2,495,604
Committed	0	0	302,913	302,913
Assigned	1,355,841	0	0	1,355,841
Unassigned (Deficit)	8,362,042	(1,220,165)	(502,039)	6,639,838
<i>Total Fund Balances (Deficit)</i>	<u>9,739,151</u>	<u>(1,220,165)</u>	<u>2,296,478</u>	<u>10,815,464</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$22,294,999</u>	<u>\$491,889</u>	<u>\$4,501,434</u>	<u>\$27,288,322</u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2024

Total Governmental Fund Balances		\$10,815,464
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		19,584,288
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.		
Delinquent Property Taxes	127,826	
Intergovernmental	160,756	
Tuition and Fees	51,741	
Total		340,323
Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.		90,923
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(9,278,712)	
School Improvement Finance	(3,485,000)	
Compensated Absences Payable	(1,734,062)	
Total		(14,497,774)
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(31,968)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.		(65,763)
The net pension liability and net OPEB asset/liability is not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in the governmental funds.		
Deferred Outflows - Pension	3,076,076	
Deferred Inflows - Pension	(1,153,362)	
Net Pension Liability	(15,486,582)	
Net OPEB Asset	1,168,684	
Deferred Outflows - OPEB	564,991	
Deferred Inflows - OPEB	(1,796,446)	
Net OPEB Liability	(776,360)	
Total		(14,402,999)
<i>Net Position of Governmental Activities</i>		<u><u>\$1,832,494</u></u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2024

	General	Construction	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$13,248,316	\$0	\$1,256,043	\$14,504,359
Intergovernmental	2,939,574	0	1,332,792	4,272,366
Investment Earnings/Interest	611,453	4,056	12,132	627,641
Tuition and Fees	157,484	0	33,403	190,887
Extracurricular Activities	141,679	0	376,034	517,713
Contributions and Donations	54,225	0	167,003	221,228
Charges for Services	0	0	299,253	299,253
Rentals	1,065	0	0	1,065
Miscellaneous	205,203	0	370	205,573
<i>Total Revenues</i>	<u>17,358,999</u>	<u>4,056</u>	<u>3,477,030</u>	<u>20,840,085</u>
Expenditures				
Current:				
Instruction:				
Regular	7,547,969	0	192,111	7,740,080
Special	1,766,238	0	684,561	2,450,799
Vocational	89,714	0	0	89,714
Student Intervention Services	133	0	0	133
Support Services:				
Pupil	1,207,916	0	38,205	1,246,121
Instructional Staff	348,354	0	12,535	360,889
Board of Education	169,107	0	0	169,107
Administration	1,108,440	0	0	1,108,440
Fiscal	506,871	0	16,809	523,680
Business	29,939	0	0	29,939
Operation and Maintenance of Plant	1,374,052	0	255,521	1,629,573
Pupil Transportation	1,170,076	0	118,441	1,288,517
Central	365,410	0	14,670	380,080
Food Service Operations	0	0	246,444	246,444
Other Non-Instructional Services	35,860	0	36,751	72,611
Extracurricular Activities	533,613	0	474,941	1,008,554
Capital Outlay	0	2,158,114	85,993	2,244,107
Debt Service:				
Principal Retirement	0	0	232,063	232,063
Capital Appreciation Bonds Interest	0	0	712,937	712,937
Interest	0	0	390,596	390,596
<i>Total Expenditures</i>	<u>16,253,692</u>	<u>2,158,114</u>	<u>3,512,578</u>	<u>21,924,384</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,105,307</u>	<u>(2,154,058)</u>	<u>(35,548)</u>	<u>(1,084,299)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	496,885	496,885
Transfers Out	(496,885)	0	0	(496,885)
<i>Total Other Financing Sources (Uses)</i>	<u>(496,885)</u>	<u>0</u>	<u>496,885</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>608,422</u>	<u>(2,154,058)</u>	<u>461,337</u>	<u>(1,084,299)</u>
<i>Fund Balances Beginning of Year</i>	<u>9,130,729</u>	<u>933,893</u>	<u>1,835,141</u>	<u>11,899,763</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$9,739,151</u>	<u>(\$1,220,165)</u>	<u>\$2,296,478</u>	<u>\$10,815,464</u>

See accompanying notes to the basic financial statements

Kirtland Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2024*

Net Change in Fund Balances - Total Governmental Funds	(\$1,084,299)
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*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	2,862,382	
Depreciation	(807,228)	
Total		2,055,154

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

Delinquent Property Taxes	(62,307)	
Intergovernmental	(344,457)	
Tuition and Fees	(41,486)	
Total		(448,250)

In the statement of activities, interest is accrued on outstanding bonds, and the bond premium, accretion and deferred accounting loss are amortized over the terms of the bonds whereas in governmental funds the expenditure is reported when bonds are issued.

Accrued Interest	722	
Accretion on Capital Appreciation Bonds	(248,710)	
Amortization of Accounting Loss	(15,155)	
Amortization of Bond Premium	75,400	
Total		(187,743)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	945,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	80,695	
Accrued Vacation Leave Payable	(18,921)	
Total		61,774

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

Pension	1,382,789	
OPEB	28,218	
Total		1,411,007

Except for amounts reported as deferred inflows/outflows, changes in the net pension/
OPEB liability are reported as pension expense in the statement of activities.

Pension	(1,159,889)	
OPEB	155,330	
Total		(1,004,559)

<i>Change in Net Position of Governmental Activities</i>	<u><u>\$1,748,084</u></u>
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See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Property Taxes	\$13,258,992	\$13,258,990	\$12,770,362	(\$488,628)
Intergovernmental	2,267,937	2,267,939	2,921,164	653,225
Interest	387,578	387,578	499,211	111,633
Tuition and Fees	65,398	65,398	84,235	18,837
Extracurricular Activities	109,997	109,997	141,679	31,682
Contributions and Donations	44,817	44,817	57,725	12,908
Rentals	827	827	1,065	238
Miscellaneous	159,576	159,576	205,538	45,962
<i>Total Revenues</i>	<u>16,295,122</u>	<u>16,295,122</u>	<u>16,680,979</u>	<u>385,857</u>
Expenditures				
Current:				
Instruction:				
Regular	7,850,889	7,720,274	7,418,873	301,401
Special	1,887,844	1,856,436	1,783,889	72,547
Vocational	94,942	93,362	89,714	3,648
Student Intervention Services	141	138	133	5
Support Services:				
Pupil	1,333,328	1,311,146	1,261,068	50,078
Instructional Staff	390,804	384,302	369,884	14,418
Board of Education	198,051	194,756	181,988	12,768
Administration	1,117,893	1,099,295	1,056,336	42,959
Fiscal	531,709	522,863	510,804	12,059
Business	31,657	31,131	29,914	1,217
Operation and Maintenance of Plant	1,405,107	1,381,730	1,407,050	(25,320)
Pupil Transportation	1,248,513	1,227,742	1,194,966	32,776
Central	387,964	381,510	379,653	1,857
Other Non-Instructional Services	40,462	39,789	38,234	1,555
Extracurricular Activities	578,327	568,705	571,481	(2,776)
<i>Total Expenditures</i>	<u>17,097,631</u>	<u>16,813,179</u>	<u>16,293,987</u>	<u>519,192</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(802,509)</u>	<u>(518,057)</u>	<u>386,992</u>	<u>905,049</u>
Other Financing Sources (Uses)				
Advances Out	0	0	(35,000)	(35,000)
Transfers Out	0	(496,885)	(496,885)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(496,885)</u>	<u>(531,885)</u>	<u>(35,000)</u>
<i>Net Change in Fund Balance</i>	<u>(802,509)</u>	<u>(1,014,942)</u>	<u>(144,893)</u>	<u>870,049</u>
<i>Fund Balance Beginning of Year</i>	<u>9,612,373</u>	<u>9,612,373</u>	<u>9,612,373</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>136,315</u>	<u>136,315</u>	<u>136,315</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$8,946,179</u></u>	<u><u>\$8,733,746</u></u>	<u><u>\$9,603,795</u></u>	<u><u>\$870,049</u></u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 1 – Description of the School District and Reporting Entity

Kirtland Local School District (the “School District”) is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1944 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 25 square miles. It is located mostly in Lake County, partially in Geauga County, and includes all of the territory of the City of Kirtland, and portions of Waite Hill Village, Kirtland Hills Village, Chardon Township and the City of Willoughby. It is staffed by 44 non-certified employees, 83 certified full-time teaching personnel, and 6 administrative employees who provide services to 1,182 students and other community members. The School District currently operates three school buildings, an administrative building, and a bus garage.

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

Non-public Schools – Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District as the School District has administrative involvement related to this funding.

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

The School District is associated with three jointly governed organizations, a claims servicing pool, a related organization and an insurance purchasing pool. These organizations are the Lake Geauga Computer Association, the Auburn Career Center, the Ohio Schools Council, the Health Care Benefits Program of Lake County Schools Council, the Kirtland Public Library and the Ohio School Boards' Workers' Compensation Group Retro-Rating Program which are presented in Notes 17, 18, 19 and 20 to the basic financial statements.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the School District's accounting policies are described as follows.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District however has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is restricted to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The School District has no proprietary or fiduciary funds.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

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

Construction Fund The construction capital projects fund accounts for and reports restricted finance purchase proceeds to be used for the construction of major capital facilities.

The other governmental funds of the School District account for grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 9). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, interest, tuition, grants and fees.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for the deferred charges on refundings, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 22 and 23.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension and OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2024, but which were levied to finance fiscal year 2025 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 22 and 23)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as inventory held for resale.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Pensions/Other Postemployment Benefits (OPEB)

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Budgetary Data

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level for all School District funds. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statement reflect the amounts in the original and final amended certificate in effect when the original and final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary statement reflect the final appropriations passed by the Board during the year.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

The School District utilizes a financial institution to service various stadium and high school renovation payments as prescribed by the agreement when they come due. The balances in these accounts are presented on the statement of net position as "Cash and Cash Equivalents with Fiscal Agents."

During fiscal year 2024, investments were limited to commercial paper, State Treasury Asset Reserve of Ohio (STAR Ohio), US treasury note, federal home loan bank notes, first American treasury obligations fund, federal farm credit bank notes, federal home loan mortgage corporation notes and negotiable certificates of deposit.

Investments, except for commercial paper and STAR Ohio, are reported at fair value which is based on quoted market prices. The School District's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For fiscal year 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest Earnings/Interest revenue credited to the general fund during fiscal year 2024 amounted to \$611,453, which includes \$166,407 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Interfund Balances

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

Internal Activity

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred charge on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are receipted in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Capital Assets

All capital assets of the School District are classified as general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	25 - 50 years
Furniture and Equipment	5 - 15 years
Vehicles	8 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Since the School District's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "accrued vacation leave payable" on the statement of net position rather than as a long-term liability.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position for OPEB plans represent the corresponding restricted asset amounts held in trust by the OPEB plan for future benefits. Net position restricted for other purposes include resources restricted for athletic programs, food operations, and miscellaneous state and federal grant programs.

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance for uniform school supplies, instructional services and to cover a gap between estimated revenue and appropriations in the fiscal year 2025 budget.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Unearned Revenue

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. The School District recognizes unearned revenue for grants received before eligibility requirements have been met.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2024, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the construction capital projects fund represent money set aside for the renovation of the high school and stadium.

Estimates

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

Note 3 – Change in Accounting Principles

For fiscal year 2024, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, and related guidance from GASB Implementation Guide No. 2023-1, *Implementation Guidance Update — 2023*. The School District also implemented Question 5.1 from GASB Implementation Guide No. 2021-1, *Implementation Guidance Update — 2021*.

GASB 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision-useful, understandable, and comprehensive information for users about accounting changes and error corrections.

Question 5.1 from Implementation Guide 2021-1 addresses the collective significance of applying the capitalization threshold to individual items in a group of assets. The School District reviewed its capital asset groupings and determined there were no asset groups where individually the assets were under the capitalization threshold yet were significant collectively.

The implementation of GASB Statement No. 100 and GASB Implementation Guides 2021-1 and 2023-1 did not have any effect on beginning net position/fund balance.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

In an effort to promote comparability with other governments, the School District updated its calculation of net position restricted for OPEB plans for fiscal year 2024. This change had no impact on beginning net position, but rather reclassified the amounts presented as net position restricted for OPEB plans and unrestricted net position.

Note 4 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

Fund Balances	General	Construction	Other Governmental Funds	Total
<i>Nonspendable</i>				
Prepays	\$21,268	\$0	\$0	\$21,268
<i>Restricted for:</i>				
Food Service	0	0	248,355	248,355
Education Foundation	0	0	177,706	177,706
Preschool Education	0	0	5,338	5,338
Student and Athletics Activities	0	0	173,042	173,042
Non-Public Schools	0	0	24,440	24,440
Technology	0	0	12,021	12,021
Special Education Donations	0	0	460	460
Debt Service Payments	0	0	231,544	231,544
Capital Improvements	0	0	1,622,698	1,622,698
<i>Total Restricted</i>	0	0	2,495,604	2,495,604
<i>Committed to:</i>				
College Scholarships	0	0	82,894	82,894
Facility Advertising	0	0	220,019	220,019
<i>Total Committed</i>	0	0	302,913	302,913
<i>Assigned to:</i>				
Uniform School Supplies	8,270	0	0	8,270
Instructional Services	355,000	0	0	355,000
Purchases on Order				
Instruction	200	0	0	200
Support Services	53,173	0	0	53,173
Fiscal Year 2025 Appropriations	939,198	0	0	939,198
<i>Total Assigned</i>	1,355,841	0	0	1,355,841
<i>Unassigned (Deficit)</i>	8,362,042	(1,220,165)	(502,039)	6,639,838
<i>Total Fund Balances (Deficit)</i>	\$9,739,151	(\$1,220,165)	\$2,296,478	\$10,815,464

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 5 – Accountability

The following funds had deficit fund balances at June 30, 2024:

	<u>Amount</u>
Major Fund:	
Construction	\$1,220,165
Special Revenue Funds:	
Elementary and Secondary School Emergency Relief	406,016
IDEA-B Special Education	30,314
Improving Teacher Quality	20,051
Title I	16,459
Coronavirus Relief	14,938
Student Wellness and Success	8,536
Drug Free	3,986
Preschool Disabilities	1,688
Title II-D	51

These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the general fund needed for operations until the receipt of grant monies. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 6 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual, general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Investments are reported at cost (budget) rather than fair value (GAAP).
4. Budgetary revenues and expenditures of the uniform school supplies fund are classified to the general fund for GAAP reporting.
5. Encumbrances are treated as expenditures (budget) rather than as a restricted, committed or assigned fund balance.
6. Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP),

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

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

Net Change in Fund Balance	
GAAP Basis	\$608,422
Net Adjustment for Revenue Accruals	(483,316)
Net Adjustment for Expenditure Accruals	(65,121)
Beginning Fair Value Adjustment for Investments	(66,311)
Ending Fair Value Adjustment for Investments	(28,144)
Advances Out	(35,000)
Perspective Difference:	
Uniform School Supplies	67,832
Encumbrances	<u>(143,255)</u>
Budget Basis	<u><u>(\$144,893)</u></u>

Note 7 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2. Bonds, notes, debentures, or any other obligation or security 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, and Government National Mortgage 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio), and;
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Investments

As of June 30, 2024, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Amortized Cost:				
Commercial Paper	\$1,446,322	Less than one year	A-1 - A-1+	14.67 %
Net Asset Value Per Share:				
STAR Ohio	3,798,085	Average 46.5 Days	AAAm	N/A
Fair Value - Level One Inputs:				
US Treasury Note	635,235	Less than five years	AA+	N/A
Federal Home Loan Bank Notes	1,490,953	Less than five years	AA+	15.13
First American Treasury Obligations Fund	102,942	Less than one year	AAAm	N/A
Federal Farm Credit Bank Notes	294,999	Less than five years	AA+	N/A
Federal Home Loan Mortgage Corporation Notes	321,939	Less than five years	AA+	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificates of Deposits	1,766,551	Less than two years	N/A	17.92
Total Investments	\$9,857,026			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2024. The Federal Home Loan Bank Notes, First American Treasury Obligation Fund, Federal Farm Credit Bank Notes and Federal Home Loan Mortgage Corporation Notes are measured at fair value and is valued using quoted market prices (Level 1 inputs). The negotiable certificates of deposits are measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk. The School District has no investment policy that addresses credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized statistical rating organization and that the commercial paper be rated in the highest category at the time of purchase by at least two nationally recognized statistical rating organization. The negotiable certificates of deposits are not rated.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 8 - Receivables

Receivables at June 30, 2024, consisted of taxes, accounts, accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Elementary and Secondary School Emergency Relief	\$203,727
School Employees Retirement System	62,306
Ohio Department of Education and Workforce	27,723
Title I	22,879
IDEA-B Special Education	20,263
Title VI-R Class Reduction	20,051
Ohio Schools Council Gas True-Up	9,590
Drug Free	6,382
Preschool Disabilities	<u>2,812</u>
Total Intergovernmental Receivable	<u><u>\$375,733</u></u>

Note 9 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2024 represent the collection of calendar year 2023 taxes. Real property taxes received in calendar year 2024 were levied after April 1, 2023, on the assessed values as of January 1, 2023, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2024, represent the collection of calendar year 2023 taxes. Public utility real and tangible personal property taxes received in calendar year 2024 became a lien on December 31, 2022, were levied after April 1, 2023, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Lake and Geauga Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2024, are available to finance fiscal year 2024 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2024, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2024 was \$1,145,787 in the general fund, \$83,460 in the bond retirement fund and \$52,347 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2023 was \$667,833 in the general fund, \$71,388 in the bond retirement fund and \$351,609 in the permanent improvement capital projects fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2024 taxes were collected are:

	2023 Second Half Collections		2024 First Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$403,613,520	96.48 %	\$410,001,920	96.40 %
Public Utility Personal	14,729,180	3.52	15,324,670	3.60
Total	<u>\$418,342,700</u>	<u>100.00 %</u>	<u>\$425,326,590</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$74.31		\$74.05	

Note 10 – Vacation and Sick Leave

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Upon approval, up to five days may be carried over into the following year. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum limit for all certified and classified personnel hired before the 1985-1986 school year. Employees hired after the 1985-1986 school year are limited to 275 days of sick leave for certified employees. Classified employees who work more than 2,080 hours per year accumulate up to 363 days. Classified employees who work less than 2,080 hours per year accumulate up to 270 sick days. Upon retirement, payment is made for up to 30 days of accumulated sick leave, plus where applicable, one-fourth of accumulated sick leave, days in excess of 120 days, to a maximum of 62 days for certified personnel, and 60 days for classified personnel.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

	Balance 6/30/2023	Additions	Deletions	Balance 6/30/2024
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$813,790	\$0	\$0	\$813,790
Construction in Progress	2,435,177	2,158,114	4,593,291	0
<i>Total Capital Assets, not being depreciated</i>	<u>3,248,967</u>	<u>2,158,114</u>	<u>4,593,291</u>	<u>813,790</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,682,951	29,277	0	2,712,228
Buildings and Improvements	21,972,083	4,787,146	0	26,759,229
Furniture and Equipment	852,359	209,508	0	1,061,867
Vehicles	2,356,703	271,628	0	2,628,331
<i>Total Capital Assets, being depreciated</i>	<u>27,864,096</u>	<u>5,297,559</u>	<u>0</u>	<u>33,161,655</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,975,404)	(100,377)	0	(2,075,781)
Buildings and Improvements	(9,071,816)	(511,415)	0	(9,583,231)
Furniture and Equipment	(521,997)	(67,482)	0	(589,479)
Vehicles	(2,014,712)	(127,954)	0	(2,142,666)
<i>Total Accumulated Depreciation</i>	<u>(13,583,929)</u>	<u>(807,228) *</u>	<u>0</u>	<u>(14,391,157)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>14,280,167</u>	<u>4,490,331</u>	<u>0</u>	<u>18,770,498</u>
Governmental Activities Capital Assets, Net	<u><u>\$17,529,134</u></u>	<u><u>\$6,648,445</u></u>	<u><u>\$4,593,291</u></u>	<u><u>\$19,584,288</u></u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$582,389
Special	1,445
Instructional Staff	5,380
Support Services:	
Board of Education	5,722
Fiscal	8,100
Administration	15,997
Operation and	
Maintenance of Plant	46,275
Pupil Transportation	135,401
Central	1,154
Food Service Operations	528
Extracurricular Activities	4,837
<i>Total Depreciation Expense</i>	<u><u>\$807,228</u></u>

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2024, the School District contracted with Ohio School Plan for various types of insurance. Coverage is as follows:

Coverage	Amount
Blanket Building and Contents (\$1,000 Deductible)	\$58,307,542
Extra Expense Coverage	1,000,000
Crime	2,100,000
General Liability	11,000,000
Employee Benefits Liability	11,000,000
Employer's Liability	11,000,000
School Leader's Errors and Omissions Liability	11,000,000
Sexual Misconduct and Molestation	11,000,000
Fleet	11,000,000
Uninsured Motorists	1,000,000
Boiler and Machinery	58,307,542
Violence Coverage	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

All employees of the School District are covered by a employee dishonesty/blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.

Employee Medical Coverage

The School District has elected to provide medical coverage through the Health Care Benefits Program of Lake County Schools Council (Note 18).

Workers' Compensation

For fiscal year 2024, the School District participated in the Ohio School Boards' Workers' Compensation Group Retro-Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice Health Systems Incorporated provides administrative, cost control and actuarial services to the GRP.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 13 – Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2024, consist of the following individual fund receivables and payables:

	Interfund Receivable
Interfund Payable	General
Major Funds:	
Construction	\$1,712,054
Other Governmental Funds:	
Elementary and Secondary School	
Emergency Relief	445,695
IDEA-B Special Education	45,743
Title I	22,879
Title VI-R	20,051
Coronavirus Relief	14,938
Student Wellness and Success	10,000
Drug Free	6,382
Preschool Disabilities	3,409
Title II-D	51
Total Other Governmental Funds	569,148
Total	\$2,281,202

The interfund payables are advances for grant monies that were not received by fiscal year end and were to support programs and projects in the special revenue and capital projects funds. Advances will be repaid within one year.

Interfund Transfers

The general fund transferred \$55,000 to the athletics special revenue fund to provide additional resources for current operations and \$441,885 to the permanent improvement capital projects fund to support capital projects.

Note 14 – Contingencies

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2024.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional DEW adjustments for fiscal year 2024 have been finalized.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Litigation

As of June 30, 2024, the School District was not party to any legal proceedings.

Note 15 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2024 were as follows:

	Principal Outstanding 6/30/23	Additions	Deductions	Principal Outstanding 6/30/24	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
2013 School Improvement Refunding Bonds 1.25 - 3.00%					
Current Interest Serial Bonds	\$7,660,000	\$0	\$0	\$7,660,000	\$345,000
Capital Appreciation Bonds	9,437	0	7,063	2,374	2,374
Accretion on Capital Appreciation Bonds	763,008	248,710	712,937	298,781	298,781
Premium on Bonds	617,817	0	56,808	561,009	0
2016 School Improvement Refunding Bonds 3.56%					
Current Interest Serial Bonds	740,000	0	95,000	645,000	100,000
Premium on Bonds	130,140	0	18,592	111,548	0
Total General Obligation Bonds	9,920,402	248,710	890,400	9,278,712	746,155
Financed Purchase from Direct Borrowing	3,615,000	0	130,000	3,485,000	135,000
Compensated Absences	1,814,757	182,836	263,531	1,734,062	436,410
Net Pension Liability					
SERS	2,583,458	0	37,395	2,546,063	0
STRS	13,381,848	0	441,329	12,940,519	0
Total Net Pension Liability	15,965,306	0	478,724	15,486,582	0
Net OPEB Liability					
SERS	683,721	92,639	0	776,360	0
Total Governmental Activities Long-Term Liabilities	\$31,999,186	\$524,185	\$1,762,655	\$30,760,716	\$1,317,565

On May 16, 2013, the School District issued \$8,599,992 in general obligation bonds which included serial and capital appreciation (deep discount) bonds, to partially refund bonds previously issued in 2006 for school improvements in the amount of \$8,600,000. The bonds were issued with interest rates varying from 1.25 to 3 percent. The proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. The bonds were issued for a 20 year period with final maturity during fiscal year 2034. The bonds will be retired through the bond retirement fund.

The final maturity amount of outstanding capital appreciation bonds is \$375,000. The accretion recorded for fiscal year 2024 was \$248,710, for a total outstanding bond liability of \$301,155.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

On October 22, 2015, the School District issued \$4,525,000 in general obligation serial bonds to partially refund bonds previously issued in 2006 and 2007 for school improvements in the amounts of \$3,390,000 and \$1,235,000, respectively. The bonds were issued with a fixed interest rate of 3.56 percent. The proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. The bonds were issued for a 15 year period with final maturity during fiscal year 2030. The bonds will be retired through the bond retirement fund.

On July 27, 2022, the School District entered into a \$3,765,000 base lease and lease-purchase agreement with Capital One Public Funding, LLC for the construction of a new stadium and high school building improvements. The initial term of the lease expired on June 30, 2023, with the right to renew for successive one-year terms (with a final partial-year term through June 1, 2042). The lease payments will be paid from property taxes received in the bond retirement fund. The lease proceeds issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The lease proceeds have been designated to be "qualified tax exempt obligations" within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to Capital One Public Funding, LLC, and then subleased back to the School District. The lease proceeds were issued through a series of annual leases with an initial lease term of one year which includes the right to renew for twenty successive one-year terms through fiscal year 2042 subject to annual appropriations. To satisfy the trustee agreements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 4.07 percent. The School District has the option to purchase the renovations on any lease payment date by paying the amount necessary to defease the indenture.

The School District's overall legal debt margin at June 30, 2024 was \$29,904,782 with an unvoted debt margin of \$425,327. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2024, are as follows:

	General Obligation Bonds				Financed Purchase from	
	Serial		Capital Appreciation		Direct Borrowing	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$445,000	\$235,682	\$2,374	\$372,626	\$135,000	\$141,840
2026	825,000	218,747	0	0	140,000	136,344
2027	850,000	196,723	0	0	145,000	130,648
2028	875,000	173,064	0	0	155,000	124,746
2029	900,000	146,766	0	0	160,000	118,438
2030-2034	4,410,000	331,672	0	0	895,000	489,826
2035-2039	0	0	0	0	1,090,000	292,226
2040-2043	0	0	0	0	765,000	63,085
Total	<u>\$8,305,000</u>	<u>\$1,302,654</u>	<u>\$2,374</u>	<u>\$372,626</u>	<u>\$3,485,000</u>	<u>\$1,497,153</u>

Compensated absences will be paid from the general fund and ESSER special revenue fund. There is no repayment schedule for the net pension/OPEB liability. However, employer pension and OPEB contributions are made from the general fund, athletics activities and ESSER special revenue funds. For additional information related to the net pension liability and net OPEB asset/liability see Notes 22 and 23.

Note 16 – Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information describes the changes in the year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by the State statute.

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2023	\$0
Current Year Set-aside Requirement	240,216
Current Year Offsets	(625,398)
Qualifying Disbursements	(229,496)
Totals	<u>(\$614,678)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Balance as of June 30, 2024	<u>\$0</u>

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

Note 17 – Jointly Governed Organizations

Lake Geauga Computer Association - The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 19 member school districts. Each of the participants supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the participants. The LGCA's governing board's exercises total control over the operations of the LGCA including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. LGCA's continued existence is not dependent upon the School District's continued participation. In fiscal year 2024, the School District paid \$79,842 to the LGCA. As of July 1, 2024, LGCA ceased to exist and is now part of the Northeast Ohio Network for Educational Technology (NEOnet). Financial information can be obtained by writing to the Metropolitan Regional Service Council, 700 Graham Road, Cuyahoga Falls, Ohio 44221.

Auburn Career Center - The Auburn Career Center is a joint vocational school operated by eleven school districts. Each participating school district appoints one board member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. The Board exercises total control over the operations of the Auburn Career Center including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. Financial information can be obtained from the Auburn Career Center, 8140 Auburn Road, Concord Township, Ohio 44077.

Ohio Schools Council - The Ohio Schools Council (Council) is a jointly governed organization among 302 members. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School

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Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The degree of control exercised by any participant is limited to its representation on the Governing Board. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. In fiscal year 2024, the School District paid \$1,198 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation serves as the supplier from July 1, 2023 through June 30, 2025. There are currently 185 participants in the program. The participants make monthly payments based on estimated usage with a true up at the end of the fiscal year. Each August, these estimated payments are compared to their actual usage and actual prices for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in August until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the August monthly estimated billing. Any school district that requests a refund for their excess amount has the amount returned in November of that fiscal year.

Note 18 – Claims Servicing Pool

The School District participates in the Health Care Benefits Program of Lake County Schools Council (the Program), a claims servicing pool comprised of an education service center, community college, one Cuyahoga County school district and eight Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The Program's business and affairs are conducted by a five member Board of Directors elected by the Program's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claim flow. The Program is operated as a fully indemnity program with no financial liability (other than the monthly premiums) or risk to the School District. The Program shall pay the run out of all claims for a withdrawing member. Any member that withdraws from the Program pursuant to the Program Agreement shall have no claim to the Program's assets. Financial information can be obtained from Jennifer Capo, Treasurer, Perry Local School District, 4325 Manchester Road, Perry, OH 44081.

Note 19 – Related Organization

The Kirtland Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Kirtland Local School District's Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and issues tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Kirtland Public Library, Mary Ann Korenewych, Fiscal Officer, at 9267 Chillicothe Road, Kirtland, Ohio 44094.

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Note 20 – Insurance Purchasing Pool

The School District participates in the Ohio School Boards' Workers' Compensation Group Retro-Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of OSC. The Director of OSC, 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.

Note 21 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$143,255
Other Governmental Funds	<u>442,763</u>
Totals	<u><u>\$586,018</u></u>

Note 22 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the

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form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 23 for the required OPEB disclosures.

School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2024, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$239,274 for fiscal year 2024. Of this amount, \$13,086 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, a one-time ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a one-time ad-hoc COLA of 1 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019. Pursuant to Ohio Revised Code 3307.67(E) the STRS Ohio Retirement Board may adjust the COLA upon a determination by the board's actuary that a change will not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit at any age.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2024 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2024, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,143,515 for fiscal year 2024. Of this amount \$159,628 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04607830%	0.06009081%	
Prior Measurement Date	0.04776420%	0.06019691%	
Change in Proportionate Share	-0.00168590%	-0.00010610%	
Proportionate Share of the Net			
Pension Liability	\$2,546,063	\$12,940,519	\$15,486,582
Pension Expense	\$197,557	\$962,332	\$1,159,889

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At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$109,435	\$471,784	\$581,219
Changes of assumptions	18,035	1,065,722	1,083,757
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	0	28,311	28,311
School District contributions subsequent to the measurement date	<u>239,274</u>	<u>1,143,515</u>	<u>1,382,789</u>
Total Deferred Outflows of Resources	<u><u>\$366,744</u></u>	<u><u>\$2,709,332</u></u>	<u><u>\$3,076,076</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$28,716	\$28,716
Changes of assumptions	0	802,182	802,182
Net difference between projected and actual earnings on pension plan investments	35,787	38,783	74,570
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>153,120</u>	<u>94,774</u>	<u>247,894</u>
Total Deferred Inflows of Resources	<u><u>\$188,907</u></u>	<u><u>\$964,455</u></u>	<u><u>\$1,153,362</u></u>

\$1,382,789 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2025	(\$88,520)	(\$126,291)	(\$214,811)
2026	(121,692)	(449,686)	(571,378)
2027	146,878	1,266,042	1,412,920
2028	<u>1,897</u>	<u>(88,703)</u>	<u>(86,806)</u>
Total	<u><u>(\$61,437)</u></u>	<u><u>\$601,362</u></u>	<u><u>\$539,925</u></u>

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities,

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retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2137.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2023, are presented as follows:

Inflation	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2023:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	0.75 %
US Equity	24.75	4.82
Non-US Equity Developed	13.50	5.19
Non-US Equity Emerging	6.75	5.98
Fixed Income/Global Bonds	19.00	2.24
Private Equity	12.00	7.49
Real Estate/Real Assets	17.00	3.70
Private Debt/Private Credit	5.00	5.64
Total	<u>100.00 %</u>	

Discount Rate The total pension liability for 2023 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2023 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90 percent.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$3,757,859	\$2,546,063	\$1,525,356

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2023, actuarial valuation are presented as follows:

Inflation	2.50 percent
Salary increases	From 2.5 percent to 8.5 percent based on service
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	26.00%	6.60%
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00%</u>	

* Final target weights reflected at October 1, 2022.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2023.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

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	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$19,899,653	\$12,940,519	\$7,054,995

Note 23 – Defined Benefit OPEB Plans

See note 22 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program; however, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2024, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2024, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2024, the School District's surcharge obligation was \$28,218.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$28,218 for fiscal year 2024, which is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2024, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an independent actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.04712510%	0.06009081%	
Prior Measurement Date	0.04869770%	0.06019691%	
Change in Proportionate Share	<u>-0.00157260%</u>	<u>-0.00010610%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$776,360	\$0	\$776,360
Net OPEB (Asset)	\$0	(\$1,168,684)	(\$1,168,684)
OPEB Expense	(\$75,092)	(\$80,238)	(\$155,330)

Kirtland Local School District
Notes to the Basic Financial Statements
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At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$1,617	\$1,822	\$3,439
Changes of assumptions	262,511	172,164	434,675
Net difference between projected and actual earnings on OPEB plan investments	6,017	2,086	8,103
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	89,742	814	90,556
School District contributions subsequent to the measurement date	<u>28,218</u>	<u>0</u>	<u>28,218</u>
Total Deferred Outflows of Resources	<u><u>\$388,105</u></u>	<u><u>\$176,886</u></u>	<u><u>\$564,991</u></u>

Deferred Inflows of Resources			
Differences between expected and actual experience	\$400,397	\$178,253	\$578,650
Changes of assumptions	220,494	771,080	991,574
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>215,330</u>	<u>10,892</u>	<u>226,222</u>
Total Deferred Inflows of Resources	<u><u>\$836,221</u></u>	<u><u>\$960,225</u></u>	<u><u>\$1,796,446</u></u>

\$28,218 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2025	(\$141,577)	(\$350,729)	(\$492,306)
2026	(114,149)	(159,885)	(274,034)
2027	(65,557)	(59,856)	(125,413)
2028	(53,702)	(81,352)	(135,054)
2029	(53,027)	(74,537)	(127,564)
Thereafter	<u>(48,322)</u>	<u>(56,980)</u>	<u>(105,302)</u>
Total	<u><u>(\$476,334)</u></u>	<u><u>(\$783,339)</u></u>	<u><u>(\$1,259,673)</u></u>

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2023, are presented as follows:

	<u>June 30, 2023</u>
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2048
Municipal Bond Index Rate:	
Measurement Date	3.86 percent
Prior Measurement Date	3.69 percent
Single Equivalent Interest Rate,	
Measurement Date	4.27 percent
Prior Measurement Date	4.08 percent
Health Care Cost Trend Rate	
Medical Trend Assumption	
Measurement Date	6.75 to 4.40 percent
Prior Measurement Date	7.00 to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 22.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2048 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2022, and the June 30, 2023, total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.86 percent at June 30, 2023, and 3.69 percent at June 30, 2022.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.27%) and higher (5.27%) than the current discount rate (4.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
School District's proportionate share of the net OPEB liability	\$992,410	\$776,360	\$605,996

	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$570,365	\$776,360	\$1,049,332

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2023, actuarial valuation compared to the prior year are presented as follows:

	June 30, 2023	June 30, 2022
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 4.14 percent ultimate	7.50 percent initial 3.94 percent ultimate
Medicare	-10.94 percent initial 4.14 percent ultimate	-68.78 percent initial 3.94 percent ultimate
Prescription Drug		
Pre-Medicare	-11.95 percent initial 4.14 percent ultimate	9.00 percent initial 3.94 percent ultimate
Medicare	1.33 percent initial 4.14 percent ultimate	-5.47 percent initial 3.94 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 22.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2023.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2023, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB (asset)	(\$989,137)	(\$1,168,684)	\$1,325,049
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB (asset)	(\$1,332,305)	(\$1,168,684)	(\$971,604)

Note 24 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2024, the School District received COVID-19 funding. The School District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Kirtland Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Ten Fiscal Years **

	2024	2023	2022	2021
School District's Proportion of the Net Pension Liability	0.04607830%	0.04776420%	0.05226590%	0.04745490%
School District's Proportionate Share of the Net Pension Liability	\$2,546,063	\$2,583,458	\$1,928,461	\$3,138,767
School District's Covered Payroll	\$1,788,086	\$1,784,100	\$1,816,414	\$1,612,293
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	142.39%	144.80%	106.17%	194.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.06%	75.82%	82.86%	68.55%

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015
0.04612460%	0.05208920%	0.05105650%	0.05717570%	0.06386600%	0.06459500%
\$2,759,716	\$2,983,245	\$3,050,513	\$4,184,734	\$3,644,256	\$3,269,116
\$1,625,519	\$1,677,844	\$1,700,064	\$1,770,100	\$1,815,986	\$1,884,595
169.77%	177.80%	179.44%	236.41%	200.68%	173.47%
70.85%	71.36%	69.50%	62.98%	69.16%	71.70%

Kirtland Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
*Last Eight Fiscal Years (1) **

	2024	2023	2022	2021
School District's Proportion of the Net OPEB Liability	0.04712510%	0.04869770%	0.05384840%	0.04903290%
School District's Proportionate Share of the Net OPEB Liability	\$776,360	\$683,721	\$1,019,123	\$1,065,646
School District's Covered Payroll	\$1,788,086	\$1,784,100	\$1,816,414	\$1,612,293
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	43.42%	38.32%	56.11%	66.10%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.02%	30.34%	24.08%	18.17%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2020	2019	2018	2017
0.04731300%	0.05222020%	0.05149530%	0.05773980%
\$1,189,821	\$1,448,728	\$1,381,998	\$1,645,798
\$1,625,519	\$1,677,844	\$1,700,064	\$1,770,100
73.20%	86.34%	81.29%	92.98%
15.57%	13.57%	12.46%	11.49%

Kirtland Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Ten Fiscal Years **

	2024	2023	2022	2021
School District's Proportion of the Net Pension Liability	0.06009081%	0.06019691%	0.06015448%	0.05968550%
School District's Proportionate Share of the Net Pension Liability	\$12,940,519	\$13,381,848	\$7,691,291	\$14,441,768
School District's Covered Payroll	\$7,965,671	\$7,997,693	\$7,481,321	\$7,236,914
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	162.45%	167.32%	102.81%	199.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.00%	78.90%	87.80%	75.50%

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015
0.05948765%	0.06217164%	0.06313333%	0.06464636%	0.06327032%	0.06026351%
\$13,155,337	\$13,670,146	\$14,997,458	\$21,639,085	\$17,486,068	\$14,658,172
\$6,985,050	\$7,094,879	\$7,031,914	\$6,772,036	\$5,954,579	\$5,884,615
188.34%	192.68%	213.28%	301.60%	293.66%	249.09%
77.40%	77.30%	75.30%	66.80%	72.10%	74.70%

Kirtland Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
*Last Eight Fiscal Years (1) **

	2024	2023	2022	2021
School District's Proportion of the Net OPEB Liability/Asset	0.06009081%	0.06019691%	0.06015448%	0.05968550%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$1,168,684)	(\$1,558,698)	(\$1,268,308)	(\$1,048,972)
School District's Covered Payroll	\$7,965,671	\$7,997,693	\$7,481,321	\$7,236,914
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered - Payroll	-14.67%	-19.49%	-16.95%	-14.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	168.50%	230.70%	174.70%	182.10%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2020	2019	2018	2017
0.05948765%	0.06217164%	0.06313333%	0.06464636%
(\$985,258)	(\$999,035)	\$2,463,230	\$3,457,304
\$6,985,050	\$7,094,879	\$7,031,914	\$6,772,036
-14.11%	-14.08%	35.03%	51.05%
174.70%	176.00%	47.10%	37.30%

Kirtland Local School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2024	2023	2022	2021
Net Pension Liability				
Contractually Required Contribution	\$239,274	\$250,332	\$249,774	\$254,298
Contributions in Relation to the Contractually Required Contribution	<u>(239,274)</u>	<u>(250,332)</u>	<u>(249,774)</u>	<u>(254,298)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,709,100	\$1,788,086	\$1,784,100	\$1,816,414
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$28,218	\$32,886	\$31,078	\$35,279
Contributions in Relation to the Contractually Required Contribution	<u>(28,218)</u>	<u>(32,886)</u>	<u>(31,078)</u>	<u>(35,279)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.65%</u>	<u>1.84%</u>	<u>1.74%</u>	<u>1.94%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.65%</u>	<u>15.84%</u>	<u>15.74%</u>	<u>15.94%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015
\$225,721	\$219,445	\$226,509	\$238,009	\$247,814	\$239,347
(225,721)	(219,445)	(226,509)	(238,009)	(247,814)	(239,347)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,612,293	\$1,625,519	\$1,677,844	\$1,700,064	\$1,770,100	\$1,815,986
<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
\$30,502	\$37,214	\$33,828	\$26,608	\$28,352	\$48,627
(30,502)	(37,214)	(33,828)	(26,608)	(28,352)	(48,627)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.89%</u>	<u>2.29%</u>	<u>2.02%</u>	<u>1.57%</u>	<u>1.60%</u>	<u>2.68%</u>
<u>15.89%</u>	<u>15.79%</u>	<u>15.52%</u>	<u>15.57%</u>	<u>15.60%</u>	<u>15.86%</u>

Kirtland Local School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2024	2023	2022	2021
Net Pension Liability				
Contractually Required Contribution	\$1,143,515	\$1,115,194	\$1,119,677	\$1,047,385
Contributions in Relation to the Contractually Required Contribution	<u>(1,143,515)</u>	<u>(1,115,194)</u>	<u>(1,119,677)</u>	<u>(1,047,385)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$8,167,964	\$7,965,671	\$7,997,693	\$7,481,321
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Net OPEB Liability (Asset) (1)

(1) Although the covered payroll for the net OPEB liability is the same as the net pension liability, there were no OPEB related required contributions for 2015-2024, STRS did not allocate any employer contributions to postemployment health care; therefore, there is no required supplementary information to present related to the statutorily established employer contribution requirements for the net OPEB liability.

See accompanying notes to the required supplementary information

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$1,013,168	\$977,907	\$993,283	\$984,468	\$948,085	\$833,641
<u>(1,013,168)</u>	<u>(977,907)</u>	<u>(993,283)</u>	<u>(984,468)</u>	<u>(948,085)</u>	<u>(833,641)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,236,914	\$6,985,050	\$7,094,879	\$7,031,914	\$6,772,036	\$5,954,579
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Kirtland Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

Net Pension Liability

Changes in Benefit Terms/Assumptions – SERS

Beginning in fiscal year 2018, on each anniversary of the initial retirement, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent nor greater than 2.5 percent. The COLA was suspended for 2018-2020. Prior to 2018, an assumption of 3 percent was used. For 2021, the cost-of living adjustment was reduced from 2.5 percent to 2 percent. For 2023 and 2024, the cost-of-living adjustment was increased from 2 percent to 2.5 percent.

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Year 2016 and Prior
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning in 2022, amounts reported use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented below:

Kirtland Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

	<u>Fiscal Year 2022</u>	<u>Fiscal Years 2021-2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	Varies by Service from 2.5 percent to 8.5 percent	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	See Below	See Below	See Below
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustment (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring after August 1, 2013, or later, COLA commences on fifth anniversary of retirement date.

Investment rate of return:

Fiscal Years 2022 through 2024	7.00 percent, net of investment expenses, including inflation
Fiscal Years 2018 through 2021	7.45 percent, net of investment expenses, including inflation
Fiscal Year 2017 and prior	7.75 percent, net of investment expenses, including inflation

Beginning with fiscal year 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Changes in Benefit Term – STRS

For 2024, demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015, through June 30, 2021.

Kirtland Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

For fiscal year 2023, the Board approved a one-time 3 percent COLA effective on the anniversary of a benefit recipient's retirement date for those eligible during fiscal year 2023 and eliminated the age 60 requirement to receive unreduced retirement that was scheduled to go into effect August 1, 2026.

Net OPEB Liability (Asset)

Changes in Assumptions – SERS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2024	3.86 percent
Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2024	4.27 percent
Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Kirtland Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

For fiscal year 2023, the projected salary increases were changed from age based to service based. Healthcare trends were updated to reflect emerging claims and recoveries experience.

Changes in Benefit Terms – STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022, premium based on June 30, 2021, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2023, healthcare trends were updated to reflect emerging claims and recoveries experience.

For fiscal year 2024, healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2024.

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**Kirtland Local School District
Lake County**

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024**

Federal Grantor Pass Through Grantor Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
United States Department of Agriculture			
Passed Through Ohio Department of Education and Workforce National School Lunch Program	10.555	103989 - 3L70-23	\$ 75,572
Total United States Department of Agriculture			<u>75,572</u>
United States Department of Education			
<i>Passed Through Ohio Department of Education and Workforce</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027A	103989 - 3M20-23	261,059
Special Education Preschool Grants	84.173A	103989 - 3C50-23	5,197
Total - Special Education Cluster			<u>266,256</u>
OFCC Safety Grant Award	21.027	103989-5CV3-23	163,526
Title I Grant to Local Educational Agencies	84.010A	103989-3M00-23	90,593
Supporting Effective Instruction State Grant	84.367A	103989-3Y60-23	23,989
Student Support and Academic Enrichment Title IV-A	84.424	103989-3HI0-23	12,410
<u>Education Stabilization Fund</u>			
Elementary and Secondary School Emergency Relief Fund III	84.425U	103989-3HS0-23	493,362
Elementary and Secondary School Emergency Relief Fund II	84.425D	103989-3HS0-22	59,421
Total - Education Stabilization Fund			<u>552,783</u>
Total United States Department of Education			<u>1,109,557</u>
Total Expenditures of Federal Awards			<u>\$ 1,185,129</u>

The accompanying notes are an integral part of this schedule.

**Kirtland Local School District
Lake County**

**Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For The Year Ended June 30, 2024**

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Kirtland Local School District (the District) under programs of the federal government for the year ended June 30, 2024. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Note C – Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D - Transfers Between Program Years

Federal regulations require schools to obligate certain federal awards by June 30. However, with DEW's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2023 to 2024 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amt. Transferred</u>
Title I-A Improving Basic Programs	84.010	\$ 4,942.85
Expanding Opportunities for Each Child	84.010	4,165.51
Title II-A Supporting Effective Instruction	84.367	22,189.47
Title IV-A Student Support and Academic Enrichment	84.424	2,226.46
IDEA-B Special Education	84.027	19,646.05
IDEA Early Childhood Special Education	84.173	1,330.63
ARP ESSER	84.425U	194,410.40
ARP_SAS	84.425D/U	135,150.72

Note E – Child Nutrition Cluster

The District commingles cash receipts from the United States Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

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**Independent Auditor's Report On Internal Control Over
Financial Reporting And On Compliance and Other Matters
Required By *Government Auditing Standards***

Kirtland Local School District
Lake County
9252 Chillicothe Road
Kirtland, Ohio 44094

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 17, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEITH FABER
Ohio Auditor of State

A handwritten signature in black ink, reading "Tiffany L. Ridenbaugh". The signature is written in a cursive, flowing style.

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

August 17, 2026

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Independent Auditor's Report on Compliance With Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Kirtland Local School District
Lake County
9252 Chillicothe Road
Kirtland, Ohio 44094

To the Board of Education:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Kirtland Local School District's, Lake County, Ohio (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Kirtland Local School District's major federal program for the year ended June 30, 2024. Kirtland Local School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Kirtland Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those

standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Kirtland Local School District

Lake County

Independent Auditor's Report on Compliance with Requirements

Applicable to the Major Federal Program and on Internal Control Over Compliance

Required by the Uniform Guidance

Page 4

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

August 17, 2026

**Kirtland Local School District
Lake County**

**Schedule of Findings
2 Code of Federal Regulations (CFR) § 200.515
June 30, 2024**

1. Summary of Auditor's Results
--

Type of Financial Statement Opinion:

Unmodified

Were there any material weaknesses in internal control reported at the financial statement level (Generally Accepted Government Auditing Standards (GAGAS))?

No

Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?

No

Was there any reported material noncompliance at the financial statement level (GAGAS)?

No

Were there any material weaknesses in internal control reported for major federal programs?

No

Were there any significant deficiencies in internal control reported for major federal programs?

No

Type of Major Programs' Compliance Opinion:

Unmodified

Are there any reportable findings under 2 CFR § 200.516(a)?

No

Major Programs (list):

COVID-19 Education Stabilization Fund AL#84.425

Dollar Threshold Used to Distinguish Between Type A and Type B Programs:

Type A: Programs or Clusters with Expenditures in Excess of \$750,000

Type B: All Others

Low Risk Auditee under 2 CFR § 200.520?

No

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

None noted.

3. Findings and Questioned Costs for Federal Awards
--

None noted.

4. Other – Findings For Recovery

In addition, we identified the following other issues related to Findings For Recovery. This issue did not impact our GAGAS or Single Audit Compliance and Controls reports.

Finding Number 2024-001

Finding for Recovery Repaid Under Audit- Treasurer Payroll Overpayment

The Treasurer's contract states, in part, "for all purposes under this Agreement where a daily rate is required, the Treasurer's per diem or daily rate shall be determined by dividing total annual compensation by two hundred twenty-six (226) days".

The Treasurer's Office is responsible for the calculation of severance payments in accordance with policies applicable to each employee's position. During severance pay testing, it was noted that the District incorrectly overpaid Lew Galante, former Treasurer. Due to an error in the daily rate calculation, the employee was overpaid by a total of \$54.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Chapter 117, a Finding for Recovery for public monies illegally expended is hereby issued against Lew Galante in the amount of \$54 and in favor of General Fund. On March 23, 2026, Lew Galante repaid \$54 to the District.

Finding Number 2024-001 – (Continued)

Finding for Recovery Repaid Under Audit- Treasurer Payroll Overpayment – (Continued)

The District should implement procedures to ensure individuals are compensated based upon the correct pay rates in accordance with the appropriate salary schedule, employment contract, and/or collective bargaining agreement. Furthermore, severance payouts should be recalculated to ensure the proper rate and hours are used within the calculation.

Officials' Response: See Corrective Action Plan.

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KIRTLAND LOCAL SCHOOLS

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SUPERINTENDENT OF SCHOOLS

Dr. Chad VanArnhem

TREASURER

Ryan Pendleton

BOARD OF EDUCATION

Joshua Hayes, President

Sheila Dikowicz, Vice President

Christina Andow

John Warren

Pete Loncar

Corrective Action Plan

2 Code of Federal Regulations (CFR) § 200.511(c)

June 30, 2024

Finding Number:

2024-001

Planned Corrective Action:

The District will strengthen its review procedures for payroll and severance calculations to ensure compensation is calculated in accordance with employment contracts, salary schedules, and applicable agreements. Future severance payments will be independently reviewed prior to processing.

Anticipated Completion Date:

12/31/2026

Responsible Contact Person:

Ryan Pendleton, Treasurer

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Summary Schedule of Prior Audit Findings

2 CFR § 200.511(b)

June 30, 2024

Finding Number 2023-001

Finding Summary:

The District does not annually update their Master Capital Asset Listing. Instead, the District maintains a separate spreadsheet to track the assets not included on the Master Capital Asset Listing.

Finding Status:

Partially Corrected and comment moved to management letter.

Additional Information:

The District is appropriately updating both the master asset listing and the separate spreadsheet.

OHIO AUDITOR OF STATE KEITH FABER



KIRTLAND LOCAL SCHOOL DISTRICT

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/3/2026

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov